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HELICOPTER CRASH — A U.S. Army Chinook helicopter crashed Saturday, killing 46 persons, as 10,000 spectators watched at an air show in Mannheim, West Germany. Page 2.

French Force Caught in Beirut Clash

By Loren Jenkins
Washington Post Service

BEIRUT — Fighting broke out Sunday between Lebanese militia and French Army soldiers in the city's central district, dividing the Moslem and Christian sectors of Beirut, as the final French contingent of the international peace-keeping force prepared to return home.

The four-hour battle, the most severe since the international force came to Lebanon to oversee the evacuation of the Palestine Liberation Organization last month, caught a French army convoy ferrying supplies to the port, setting off the explosion of one of its ammunition trucks and burning two other army vehicles.

The French incurred no casualties and withdrew without firing, despite a wild outburst of machine gun fire and rocket-propelled grenades.

The battle, in the Ras el-Nabeh neighborhood near the recently reopened Sodeco crossing point between the city's two sectors, immediately reinforced apprehension that with the premature withdrawal of the international force the tenuous peace might collapse into violence.

The worst fears, however, were

tempered by the fact that the Lebanese Army, which has been deployed in positions previously occupied by the PLO fighters, weathered its first real test since being reconstituted three years ago after its collapse in 1976 at the height of the 18-month civil war between Christians and Moslems.

The army's test was not without bloodshed. Lebanese national television reported Sunday night that one soldier had been killed and 13 wounded.

It also reported that an undetermined number of militiamen, from a leftist group known as the Partisans of Revolution, had been killed and injured. Two civilians were reported to have been killed by stray bullets.

There were conflicting reports of how the battle began, but army sources and the national television reported that it started when a member of the Partisans of Revolution, which has long controlled the area around the Sodeco crossing, opened fire on a convoy of cars carrying Moslem politicians to the Christian town of Bikfaya to meet with President-elect Bashir Gemayel whose election the Moslems bitterly opposed last month.

According to the army source, a

squad of national policemen, who have been charged with re-establishing government authority in West Beirut, arrested the man who fired on the convoy, but were forced to free him when surrounded.

After the invasion of Lebanon, Israeli-Egyptian trade ties remain static. Page 2.

Mubarak says Reagan should go ahead with his Middle East peace proposals. Page 2.

ed by other members of the leftist group.

The army was called in, setting off the battle that raged for four hours before petering out at nightfall. Scattered shots continued after dark. The army moved into the area with armored personnel carriers and trucks mounted with heavy machine guns. Rocket-propelled grenades fired into militia positions in an apartment set the building on fire.

Prime Minister Shafiq al-Wazzan, who has been instrumental in negotiating with Beirut's Moslem leaders to convince them to allow the police to assume control of the city, went on television Sunday night to urge everyone to back the army.

"Any attack on the army is unacceptable," said Mr. Wazzan, a Moslem. "The army that is totally supported by all Lebanese and all factions must be supported fully in order to succeed in its mission at a time when the country is at the brink of new hope and release."

The fight in Beirut almost eclipsed continuing tension along the cease-fire lines between Israel and Syria in the mountains east of Beirut, along the Beirut-Damascus highway.

For the third time in a week Israeli jets attacked Syrian SAM-9 anti-aircraft positions near the town of Dah el-Baidar, six miles (nine kilometers) beyond Israel's positions around the village of Bshamoun. A unit of the PLO last week captured eight Israeli soldiers at Bshamoun.

Israeli military spokesmen reported in Jerusalem that the air raid Sunday knocked out another four-missile SAM battery, bringing to six the number destroyed in the past week.

The attack came as the Israeli cabinet issued a new warning to Syria that it would not tolerate continuing cease-fire violations in Lebanon. The remarks had been prompted by the capture of the

eight soldiers as well as the ambush Friday of an Israeli Army jeep in the area in which three Israeli soldiers were killed and one was wounded.

An Israeli cabinet spokesman, Dan Meridor, warned Syria after the cabinet meeting that Israel would neither accept continuing cease-fire violations nor put up with a long war of attrition in Lebanon against the Syrian and PLO units that occupy Lebanon's Bekaa Valley. Syria is reported to have about 25,000 soldiers in the area and the PLO as many as 10,000.

The 2,100-man international peacekeeping force for Beirut was made up of U.S. Marines, French Foreign Legionnaires and paratroopers and Italian sharpshooters. Their mission was to guarantee the safe evacuation of the PLO from Beirut as well as to help the Lebanese Army establish government authority in West Beirut.

The force was originally to stay for 30 days at the request of the Lebanese government. But with the PLO evacuated, the United States, worried about the exposure of its marines in Beirut, last week withdrew its 800-man force after only 16 days. The Italians followed a day later.

Hua Dropped From Politburo

By Christopher S. Wren
New York Times Service

BEIJING — Mao's chosen successor, Hua Guofeng, was dropped from the Chinese leadership Sunday while older party veterans hung onto their sinecures.

Mr. Hua's name was conspicuously missing from the new Politburo and its inner circle, the Standing Committee, whose members were elected Sunday by the first plenary session of a new Central Committee.

The omission means the conclusion of a declining political career by the man who followed Mao as prime minister and party chairman only to lose both jobs in a power struggle with Deng Xiaoping, who remains China's dominant leader.

Mr. Hua, 61, is left only with a token seat on the new Central Committee, whose composition was announced before the 12th party congress ended Saturday.

Rest Unchanged

The rest of the Standing Committee remained unchanged, contrary to expectations of some Chinese as well as foreign diplomats that Ye Jianying, 85, and his elderly colleagues would be encouraged to retire.

Mr. Deng's apparent inability to get Mr. Ye and other Politburo members such as Nie Rongzhen, 83, and Xu Xiangqian, 80, to step down was seen by some diplomats as evidence that he had failed to

push through a planned rejuvenation of the party's leadership.

But another theory is that Mr. Deng, after failing to budge the elders, took a tack that could prove as successful. He packed a half dozen of his supporters onto the new Politburo, which was expanded from 22 to 25 members.

There have been rumors that Mr. Deng also planned to diminish the Politburo's power by transferring much of its authority to the secretariat, which handles the party's daily business.

Hu Yaobang, 67, one of Mr. Deng's proteges, was named party general secretary, as expected. His other title, party chairman, which he took from Mr. Hua, was abolished by the congress because it had become too identified with the Mao personality cult. The posts of deputy chairman, which Mr. Deng and Mr. Hua held, were also eliminated.

Mr. Hu and Prime Minister Zhao Ziyang, who jointly presided over Sunday's meeting, are now expected to enjoy a freer hand in carrying out Mr. Deng's pragmatic policies, with Mr. Hu handling the economic side and Mr. Hu the ideological and political.

Mr. Deng was re-elected Sunday to the chairmanship of the party's military commission, which gave him control over the armed forces. He was also expected to become chairman of a new central advisory commission, from which he can

continue his influence over the party.

Mr. Deng was joined on the advisory commission by only two previous members of the Politburo, Defense Minister Geng Biao, 73, and another military man, Xu Shiyu, 76.

The advisory commission was created at the congress to provide honorable semi-retirement for elderly ranking party officials. There had been speculation that Li Xiangnan and Chen Yun, both 77, as well as Mr. Ye might step down from the Standing Committee.

But with Mr. Hua out, Mr. Deng and his disciples, Mr. Zhao and Mr. Hu, should be able to carry any crucial vote in the Standing Committee. Mr. Chen, who will probably continue to head the party's watchdog discipline inspection commission, is considered sympathetic to their policies.

The new Politburo members include Deputy Prime Minister Wan Li; the armed forces chief of staff, Yang Dezhi; Hu Qiaomu, an academician who is Mr. Deng's ideologist; Liao Chengzhi, who handles relations with overseas Chinese; Xi Zhongxun and Yang Shangkun, who hold leading posts in the nominal parliament; and Song Renqiong, who has headed the party's organizational department.

Mr. Hua, Mr. Geng and Mr. Xu lost their Politburo seats, though the latter two have posts on the advisory commission. Peng Chong, a



Hua Guofeng



Hu Yaobang

former party secretary and mayor of Shanghai, was also removed.

Mr. Hua, a former minister of public security, had been accused of perpetuating leftist errors, though he was instrumental in having Mao's widow, Jiang Qing, and other radicals of the so-called Gang of Four arrested. He was also charged with trying to create his own personality cult.

His authority was undercut in December 1978, when Mr. Deng had marshaled enough support to challenge him. He was forced to

yield the post of prime minister to Mr. Zhao in September 1980 and his job as party chairman to Mr. Hu in June 1981.

The seven new members of the Politburo average more than 70 years in age, roughly the same as the previous Politburo. By comparison, the new 210-member Central Committee has only 16 members over 70, according to the congress spokesman, Zhu Muzhi. The new members of the secretariat also appear younger, as well as better educated.

Fez Is Victory for Arab Moderates

Reagan Plan, Lebanon Invasion Help Create New Unity

By Henry Tanner
New York Times Service

AMMAN, Jordan — The moderates of the Arab world, the kings of Saudi Arabia, Jordan and Morocco and, in absentia, the president of Egypt, won a major victory last week in Fez, Morocco, when Arab leaders issued a declaration that for the first time implicitly acknowledged Israel's right to exist and came out unanimously for settling the Arab-Israeli conflict through negotiation.

Even Syria, the leading hard-liner, underwrote the document, as did Algeria and South Yemen, which had previously accepted the Syrian view that Arabs must not bargain with Israel until they achieved military parity and commensurate power. Yasser Arafat, leader of the Palestine Liberation Organization, was another key participant.

The Fez meeting also broke new ground by prescribing a procedure for discussions. The leaders said they will appoint a committee that will gather information on behalf of the Arab world and make contacts, specifically with the United States and the other permanent members of the United Nations Security Council, the Soviet Union, France, Britain and China.

The Arabs' approach may not please Washington. U.S. policy-

makers had hoped that one or two Arab leaders, most likely King Hussein of Jordan, would step forward, as President Anwar Sadat of Egypt had done, to join negotiations with the United States and Israel in the Camp David framework.

This was not in the cards, however. Arab diplomats said they wanted "quiet diplomacy" with the Fez plan and President Ronald Reagan's recent proposal serving as the basis for the discussions.

Given the gap between the Arabs and Americans and the even wider division between Arabs and Israelis, the period of exploration is likely to last a long time.

Mr. Arafat reportedly will be on a seven-member negotiating committee but the PLO leader is expected to go only where he is welcome. King Hassan II of Morocco said after the Fez meeting.

As seen in Amman, King Hussein has been thrust into a pivotal role. Jordan is expected to be represented on the committee that will conduct the talks. Others may include representatives from Saudi Arabia, Syria, Morocco, Tunisia, along with Cheddi Klibi, the Arab League's secretary-general.

Jordanian officials have made clear that they will consider it a point of honor to state the Palestinian case forcefully and that they are discussing talks through "parallel negotiating teams."

No Hussein Mandate

The Fez declaration reiterated that the PLO is the sole representative of the Palestinian people; King Hussein received no mandate to negotiate for them. For many Jordanians, that outcome is just about right. The king emerged with a leading role, but he is staying within the overall Arab framework and is not made vulnerable by a personal mandate that could go sour.

Time may be short. Palestinian sources have said privately that before leaving Beirut the PLO leaders agreed to refrain from violent action in Arab countries for six months but not longer unless they see signs that their demands for a homeland were being heeded.

Arab analysts suggest that there is plenty of time, probably years, to reach a full-fledged settlement but very little time to establish an understanding on the Palestinians' part.

minimum demand for acceptance of the principle of self-determination. If that principle is not accepted by the United States, the negotiations are apt to collapse.

Arab intellectuals and officials generally raise two questions about Mr. Reagan's proposals. When the president said he did "not support" the creation of an independent Palestinian state, they ask, did he leave the possibility open that such a state might be established later, even over U.S. objections? And, the wonder, will the United States prevent Israel from building more settlements in the West Bank? As the Arabs see it, that is the crucial test of Israeli intentions.

New Situation

The sudden display of Arab unity resulted partly from the new situation created by Mr. Reagan's proposals, which broke with the former pattern of U.S. diplomacy. There was a growing realization among the Arabs that only the United States can bring peace. The moderate Arab leaders therefore concluded that it was up to them to give the administration something with which to work.

Even the hard-liners were amenable because Syria also wants U.S. help in mediating Syrian-Israeli disengagement in Lebanon.

Arab regimes were also stirred to act by their feelings of helplessness in the Lebanon war and the fear that their own populations, local as well as Palestinian refugees and immigrants, would turn against them.

Finally, Arab officials and intellectuals say they now feel an unprecedented sense of urgency. Their regimes have never before felt so acutely that Israel posed a threat to their security, and not only to the Palestinians and the countries adjacent to Israel.

As long as Israel was content to "colonize" the West Bank, southern Lebanon and the Sinai, the situation seemed remote for many Arab leaders. But now Israel is seen as "an imperialist regional power" that reaches far into Arab territory, said Sayed Yassin, an Egyptian writer.

China Praises Summit Talks

The People's Daily, the Chinese Communist Party newspaper, praised the Arab leaders who met in Fez, saying Sunday that their peace proposal was a "forceful, positive alternative to the U.S. initiative. The Associated Press reported from Beijing.

Bankers Say Global Loan Apparatus Is Seriously Strained

By Carl Gwartz
International Herald Tribune

PARIS — The Euro-market's trillion-dollar interbank market, in which banks around the globe offer their temporary excesses of cash for other banks to borrow, is showing the most serious signs of strain since the liquidity crisis of 1974, bankers report.

The danger is that the strain could affect the syndicated loan market, whose banks divide the credit and financial risks in supplying the foreign exchange needs of countries from Argentina to Zaire. The fear is that such lending could come to a halt; further complicating the ability of major borrowers to pay their foreign bills and threatening the collective default of nations.

"If you had the same conditions in the U.S. money market today as you had eight weeks ago, with all

the other things that are going on today, this [interbank] market would be in dire trouble," said a senior U.S. bank executive who asked that he not be identified.

"If you look at the U.S. economy and ask what has changed so drastically that the [U.S. interest] rates should by themselves have come down so low, I don't find anything," he said, echoing a widely held view that the Federal Reserve's recent easing of interest rates is a measure of its concern for the well-being of the international financial system.

Bankers insisted that the current situation is by no means as serious, yet, as in 1974, when the collapse of Bankhaus Herstatt, a relatively small West German bank, almost asphyxiated the interbank market when banks withdrew offering funds or sharply cut the amount of deposits they were willing to extend to the hundreds of small insti-

tutions that comprise the market.

Coordinated bank action at that time saved the market from collapse.

Activity in the syndicated loan market plummeted in August amid growing worries about the ability of major borrowers to repay their loans. Total new credits syndicated this year — about \$61 billion — may fall to reach the \$70-billion volume of 1978, a shadow of last year's \$133-billion volume.

A \$500-million loan for two Venezuelan state electricity companies is in deep trouble. The eight lead managers who underwrote the eight-year deal have found only one Kuwaiti bank willing to join as a co-lead manager, and managers privately admit chances of syndicating the loan are nil. Interest is set at one point over the London interbank offered rate or 7/8 point over the prime rate.

The only other loan of size —

\$200 million — is for Pacific Lighting, which is offering to pay 7/8 point over Libor for the first two years and half a point over for the final three years.

The most evident sign of the current stress in the interbank market is what bankers call tiering. This means that some banks or groups of banks have to pay more than others to attract deposits, endangering the already thin profits of many banks operating in the Euro-market.

Tiering reflects a concern about the well-being of specific banks and is also a sign that some banks have reached their internally set limits on how much they are willing to lend to banks in certain countries. "There is a country limit problem that's developing — Canada may be one example, and we get the feeling that some lenders even have a country limit on

France," a continental banker reported.

Liquidity, while currently ample, is also a concern.

Tens of billions of dollars that should be flowing into the market are not — the result of the 90-day moratorium on payments declared by Mexico, the most heavily indebted borrower in the market, and the temporary suspension of interest and principal payments by Poland, Romania, Costa Rica and Cuba as they seek to reschedule their debt burdens. In addition, more than half a billion dollars of loans may have been lost in the collapse of Banco Ambrosiano's non-Italian subsidiaries.

Also, the tens of billions of dollars of deposits that Eurobanks had been receiving from OPEC countries have also evaporated along with the once-huge OPEC surplus. Since mid-1981, OPEC (Continued on Page 17, Col. 1)

INSIDE

Friday's veto defeat could mean that President Ronald Reagan will have to choose his fights with care. Page 3.

Party insiders predict that it may be weeks before Hans-Dietrich Genscher decides between taking his Free Democrats out of West Germany's ruling coalition or continuing to support Chancellor Helmut Schmidt. Page 4.

A scientist has found fragments of herpes virus in the tumors of cervical cancer patients, adding to evidence that such infections may play a role in the development of cancer. Page 2.

A report on Japan as it nears the parliamentary elections in November appears in a special supplement. Page 5S.



U.S. Arms-Control Fight Pits Director and Senator

By Murray Marder
Washington Post Service

WASHINGTON — A seething dispute over arms-control policy has grown up within the Reagan administration and between the administration and hard-liners in Congress. One administration hard-liner, Eugene V. Rostow, will continue as director of the U.S. Arms Control and Disarmament Agency.

The immediate issue is Senate confirmation of two acting Rostow aides, whose nominations have been held up for six months by Senator Jesse Helms, Republican of North Carolina, and others. Among other things, it is no longer clear how much political capital the White House is willing to expend in behalf of the nominees, whom Mr. Rostow has stoutly supported.

But the two nominations are only pawns in a broader battle over how the United States should proceed in the two sets of nuclear arms-control talks under way with the Soviet Union in Geneva.

Critical Memo

The leader in the conservative opposition is Mr. Helms, who has used confirmation fights in the past to win policy changes. But within the administration, the presidential adviser on national security affairs, William P. Clark, has also become involved.

Late last month Mr. Clark reportedly wrote a memo to Secretary of State George P. Shultz. Some sources say it was critical of Mr. Rostow and Paul Nitze, one of the U.S. negotiators in

The memo is said to have complained that Mr. Rostow and Mr. Nitze exceeded their instructions in dealing with the Soviet Union, which supporters of both men vehemently deny.

Members of the anti-Rostow forces do not speak with one voice. But Mr. Helms says the Russians have repeatedly violated arms-control agreements in the past, and he wants the administration to stress that point. Their great fear, they say, is an accord with the Russians that lacks adequate provision for "verification."

On the opposite side, Mr. Rostow's supporters in the administration say the "thunder off-stage" is really an attack on the president himself and any possibility of realistic arms control with the Soviet Union.

Mr. Rostow spoke in Los Angeles last week about the two sets of nuclear negotiations in Geneva, one conducted by Mr. Nitze and the other by Edward L. Rowley. In these negotiations, Mr. Rostow stressed, "the United States has made it clear that verification measures capable of assuring compliance are indispensable."

In this case the dispute began at the outset of the administration over the personnel and policy of the arms-control agency. The agency is anything but a haven for doves; its most senior officials were all leaders in the attack on the SALT-2 arms pact, negotiated in 1979 by the Carter administration.

Mr. Rostow, a conservative Democrat, has been reported to be on the verge of resignation.

vote on the two sides. However, a spokesman said last week that Mr. Rostow "has no intention of resigning."

At stake are the jobs of Robert Grey and Norman Turell. Mr. Grey, who is acting as deputy director, is one of Mr. Rostow's closest friends and was his executive assistant when he was undersecretary of state in the Johnson administration. Mr. Turell is the acting assistant director of the agency's bureau of nuclear and weapons control.

Longtime professionals in government service, the two men have been assailed nevertheless as "Carter holdovers" out of tune ideologically with the 1980 Republican platform charge that a cover-up of Soviet violations of arms control began under the Nixon administration and continued through the Ford and Carter administrations.

The conservatives' main mark against Mr. Grey is that his Foreign Service experience was interrupted from 1969 to 1971, when he served as administrative assistant to Senator Alan Cranston, Democrat of California. Mr. Turell, also a former member of the Foreign Service, has been under a more personalized attack and is the more vulnerable of the two politically.

At a July meeting in the office of the Senate Republican leader, Howard H. Baker Jr. of Tennessee, sources on both sides agree, Mr. Helms and fellow critics offered to confirm Mr. Grey if the administration would find Mr. Turell another job elsewhere. Mr. Rostow instead strongly defended both subordinates.

Conservative say they have about 20 commit-

The administration could override those votes if it were prepared to pay the price. The threat, as usual in such cases, is a filibuster against confirmation. But in this instance, the threat exceeds normal dimensions.

Mr. Helms, for example, told Mr. Rostow in a letter on July 29 after negotiations broke down:

"If these nominations are brought to the floor, I fear that it will trigger a lengthy and divisive debate on the nature of arms control, the history of SALT-1 and SALT-2, the verifiability of those agreements, their legal standing, the Soviet record on violations and the basic assumptions of START." START is the acronym used to describe President Ronald Reagan's proposals for arms reductions.

Mr. Helms said that such a debate could show the Soviet Union that "there is little unanimity in the United States on START, and that any treaty so negotiated might meet the fate of SALT-2," which has not been ratified.

The central issue now is what position the White House will take. The president did ask Mr. Baker in June to act on the Grey and Turell appointments, sources in the Rostow camp and the Senate leadership agree, although opponents of the two men have denied that.

Nevertheless, according to several White House officials, the administration is not prepared to spend further political capital on this issue. The president in recent days has been clearly seeking to repair strained relations with his cabinet members and notably with Mr.



Lebanon War Froze Israeli-Egyptian Trade Ties

New York Times Service
JERUSALEM — Israel's invasion of Lebanon has curtailed the development of tourist, trade and communications links between Israel and Egypt, according to officials here.

In interviews they expressed concern that a freeze placed by Egypt on such ties in June had not shown signs of thawing despite the end of the fighting in Lebanon.

"At this moment the Egyptians are not exactly in the mood for contacts," a Foreign Ministry official said. But he noted that despite fewer official meetings and the postponement of discussions on the technical details of a tourist agreement signed by the two countries nearly a year ago, "no business contracts or agreements were broken."

Education Minister Zevulun Hammer was scheduled to visit Cairo on June 14 but the visit was

postponed, the official pointed out. And a delegation of Egyptian youths who were supposed to visit in August in a program that began in January did not arrive, according to Oded Cohen, who is head of the ministry's Youth and Sports Division. He said the trip had been postponed.

Foreign Ministry sources said that Egypt had been stalling over talks concerning 15 disputed demarcation points along the newly emplaced border dividing Sinai from Israel. They said no new talks had been scheduled. There has been disagreement over the precise location of the demarcation points since Israel withdrew from the Sinai in April.

Although some talks have been stalled and some projects already agreed to in principle have not been begun — such as a ferry on the Mediterranean from Ashdod

to Port Said — no contractual obligations were breached or canceled, officials added.

A spokesman for Solel Boneh, one of the country's largest construction companies, said there had been no changes in the volume of business done with Egypt. Yet the director for overseas projects, Ehud Shilo, was evidently uncomfortable discussing the matter and would give no further details on the extent of the company's business with Egypt.

The director of a prosperous kibbutz industry in the north near Haifa that produces and assembles irrigation systems said the company had sold about \$500,000 worth of equipment to Egypt in the last six months.

"Everything continued like before," during the war in Lebanon, he said, asking not to be identified. Then, changing to more somber

tones, he added, "but there were no developments."

Contrary to earlier reports quoting officials from Egypt, no orders were canceled, he said.

Apprehensions here about the future of Israel's fledgling trade with Egypt were worsened by the differences over President Ronald Reagan's proposals for the future of the West Bank and Gaza. High-ranking Israeli officials said they expected that the current ebb in the process of normalizing relations with Egypt would continue in light of the sharp differences between the two countries over the American proposals, which Mr. Reagan announced Sept. 1. Israel has rejected the Reagan plan as a threat to its security.

Tensions rose late last month when Prime Minister Menachem Begin declared that he would try to resume the long-stalled talks on autonomy for the Arab inhabitants

of the West Bank and Gaza. Egyptian officials said they would not return to the talks until Israel had withdrawn its troops from Lebanon.

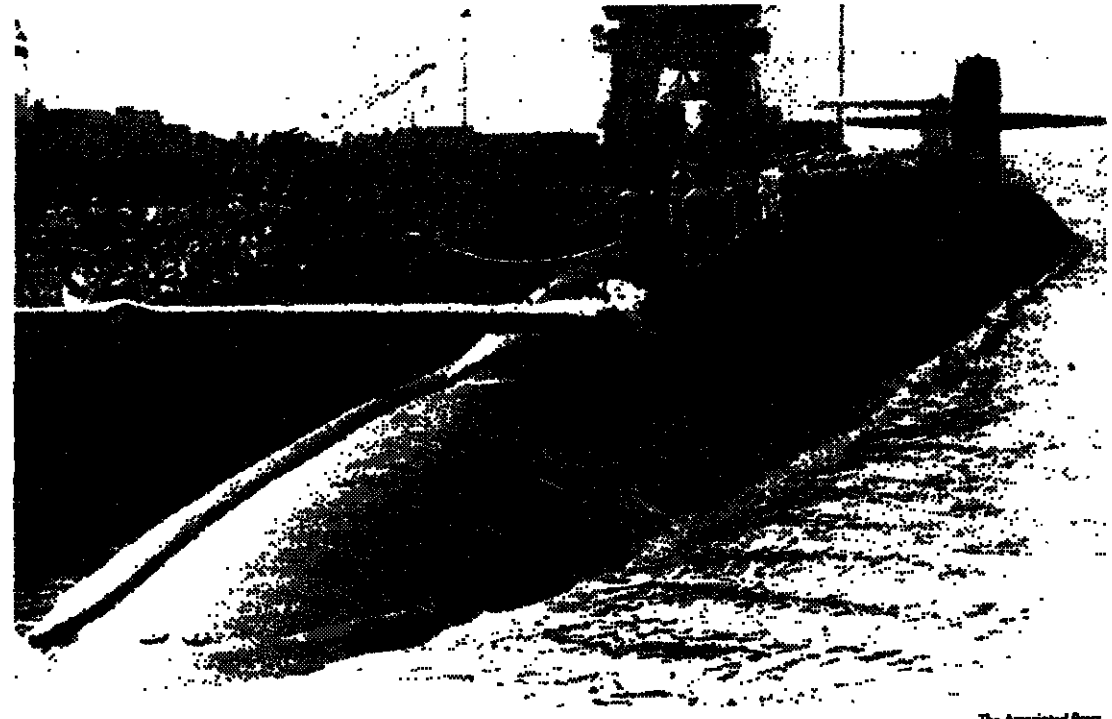
Despite the uncertainty, Israelis were quick to observe that the 3½-year-old peace treaty had withstood what they called the test of the war in Lebanon.

"My feeling is that the relationship that Egypt maintained with us during the campaign is even to a certain extent surprising," remarked Zvi Nevo, the director of tourist relations with Egypt. "The fact is that they have an ambassador here and we have one sitting there."

Mr. Nevo, describing what he said was a positive change, said there were indications that Egypt had recently considered altering border-control regulations to encourage tourism to Sinai.



FINAL PREPARATION — An Italian officer inspected his troops before their departure Saturday from the port of Beirut. The 530-man Italian contingent of the peacekeeping force arrived Aug. 25 to help oversee the evacuation of the PLO and Syrian fighters from Lebanon.



The Michigan being commissioned in Groton, Connecticut.

Deterrence Is Theme at Trident Ceremony

By George C. Wilson
Washington Post Service
GROTON, Conn. — The second of the nation's new Trident missile submarines, the Michigan, has formally joined the fleet Saturday in a commissioning ceremony that dramatized the choice President Reagan confronts as he tries to modernize the nuclear arsenal.

Admiral K.R. McKee, who replaced retired Admiral Hyman G. Rickover as head of the Navy's nuclear propulsion program, declared that the \$1.5-billion submarine is "essentially invulnerable."

He said that submarines with nuclear-tipped missiles — the Michigan carries 24 — help make nuclear war look suicidal to the Soviet Union.

Some weapons experts, who contend that the time has come to put U.S. nuclear firepower out to sea, have forecast that no politically acceptable way will be found to make a new land-based missile invulnerable.

The D-5 missile now under development for the Trident is advertised as being just as destructive as the proposed land-based MX system and less vulnerable to attack.

But, like the MX proposal, the Trident program has drawn protests.

On Saturday, about 300 demonstrators outside the gates here of the Electric Boat Co., which is building the fleet of Tridents, protested construction of the new submarine. The protesters believe the United States and the Soviet Union already have deployed too many nuclear weapons.

The police reported that 11 protesters were arrested.

Saturday's demonstration also highlighted one problem with President Ronald Reagan's plans to deploy new missiles on land in the United States and in Western Europe — public protests. It was public protests that prompted Mr. Reagan to look for an alternative to President Jimmy Carter's plan to deploy MX missiles in Nevada and Utah.

Poland Reports First Output Rise in 2 Years

The Associated Press
WARSAW — Poland has reported a 1 percent rise in total industrial production during August, the first such increase since the July 1980 strikes that led to the formation of the Solidarity independent trade union.

Citing government statistics, Poland's state media on Saturday attributed the increase to economic reforms ordered after martial law was imposed and to a 19-percent rise in output by the nation's coal, copper and sulfur mines.

The reported increase adds credence to official claims that factories worked "normally" during August despite street protests called by underground leaders of Solidarity, which has been suspended since martial law began Dec. 13.

In a statement circulated here Friday, the union leaders condemned police violence during nationwide protests on Aug. 31 and appealed for talks with Lech Walesa, the interned union leader, to prevent new violence.

The production increase was hailed by Zycie Warszawy, a Warsaw daily newspaper, as a possible "light at the end of the tunnel." Trybuna Ludu, the Communist

Party daily, called it a "basis for hope."

"The strength of the causes of decline are weakening," Trybuna Ludu said.

Poland, which experienced extensive growth in the mid-1970s, has experienced a steady decline in the value of its production since 1980. Officials blamed it on Solidarity and workers strikes.

Many independent economic observers, however, say that Poland's shortage of hard currency and \$26-billion foreign debt coupled with mismanagement and faulty organization are as much to blame for the decline.

Trybuna Ludu attributed the August rise to a large increase in the output of mines and to "better management in some plants." Poland depends heavily on exports of coal and copper to get hard currency to pay its foreign debts.

Although figures for individual months were not published or available Saturday, Polish officials have said that production began to drop in July 1980, when workers laid down their tools to protest an increase in the price of meat.

The Communist daily, acknowledging that a 1-percent increase was "in the margins of possible

statistical error" warned Poles, however, that they would probably not notice the increase in the marketplace.

Union Members Accused
 Ideologia i Polityka, a Communist Party journal, charged Sunday that some interned Solidarity leaders are maintaining contacts with U.S. intelligence and other Western spy agencies. United Press International reported from Warsaw.

The monthly journal said Solidarity leaders had met American and British intelligence agents in Rome, London and Washington.

It also said that millions of dollars had been given to Solidarity by American and West German unions. On one occasion, it said the AFL-CIO gave \$120,000 to Mr. Walesa while he was in France.

The charges, accompanied by another alleging the misuse of union funds, appeared to part of a propaganda offensive aimed at discrediting the union.

"The Solidarity activists met with the employees of the NATO countries' special services during their business trips abroad," the journal said. It specifically named three Solidarity leaders.

It said Andrzej Rozploczowski,

a militant union leader of the Katowice industrial center now interned, conducted talks in the U.S. Embassy in Rome with someone identified only as A. Freeman from "American intelligence."

Jan Strzelcicki and Tadeusz Walendowski also were accused of contacts with Western intelligence.

The paper made no reference to a possible trial, but Polish law provides penalties ranging from five years in jail to death for giving information to foreign intelligence.

Envoy Seeks Asylum
 The Japanese Foreign Ministry said Saturday that a Polish Embassy official and his wife have left Japan for political asylum in France, UPI reported from Tokyo.

A ministry spokesman said Jozef Grochowski, the Polish Embassy's assistant commercial attaché, and his wife, Anna, left Tokyo late Friday.

"We want to defect to protest my motherland's military-police state policy," Mr. Grochowski told reporters in a Tokyo hotel before his departure.

Sources said Mr. Grochowski arrived in Japan two years ago to work as a commerce expert at the embassy and that he had been ordered to return to Poland.

U.S. Official Says Pipeline Sanctions Need More Time

The Associated Press
WASHINGTON — William E. Brock, the U.S. trade representative, said Sunday that President Ronald Reagan's sanctions against the Soviet Union's natural gas pipeline have had no effect on the crackdown in Poland but that the actions still need "time to work."

Mr. Brock, interviewed on U.S. television, defended the sanctions against European companies that helped in the construction of the Soviet Union's Siberian gas pipeline to Western Europe.

Commerce Secretary Malcolm Baldrige said last week that the United States will continue to bar export of oil and gas equipment to the Soviet Union by American companies, their subsidiaries and licensees as long as the administration detects "Soviet complicity" in the Polish clampdown.

Mr. Brock said that despite criticism of the sanctions by Britain, France and Italy, the dispute ultimately will bring the allies together and show "the need for common action" in the face of Soviet oppression.

Egypt Urges U.S. to Press Peace Plan

Reuters
PARIS — President Hosni Mubarak of Egypt, after conferring Saturday with President François Mitterrand, said that President Ronald Reagan should go ahead with his peace proposals for an overall settlement in the Middle East.

He said the Arab League summit in Fez, Morocco, last week, which called for the creation of a Palestinian state with Jerusalem as its capital, did not produce the mechanism to put such a plan into force.

"I think it is better to give the Reagan initiative as much support as we can and to encourage the United States to go ahead with the peace process," he said.

Mr. Mubarak, who flew to Paris from Bucharest Saturday morning after an official three-day visit, had a 90-minute meeting with Mr. Mitterrand at the Elysee Palace.

Shared Views
 After the meeting, Mr. Mubarak, who left for Cairo later Saturday, said France and Egypt shared views on the Middle East problem and had proposed a joint draft resolution at the United Nations Security Council calling for a Palestinian state.

WORLD BRIEFS

39 Die in Swiss Bus-Train Collision

PFAFFIKON, Switzerland — A locomotive plowed into a bus loaded with West German vacationers at a rail crossing Sunday, shoving it in two and killing at least 38 of its passengers and a railroad employee, police said.

The accident occurred in the early afternoon about 12 miles (19 kilometers) south of Zurich as the West German bus passed through a level crossing, officials said. They said the barrier gates were not down.

A Zurich police official said the bus, coming from the southern German town of Böblingen, and the first car of the train burst into flames on impact. The flames engulfed a nearby signal house, killing one railroad worker inside, he said. He said that at least six passengers on the bus were injured as well as six train passengers.

3 Killed, 24 Injured in Manila Blast

MANILA — Three persons were killed and 24 wounded by a grenade explosion Saturday in Manila's tourist quarter. Police said Sunday that the blast may have been politically motivated.

A police official said Sunday that the blast may be related to a campaign of violence that the government has accused dissidents of planning to embarrass President Ferdinand E. Marcos during his state visit to Washington. Mr. Marcos is to leave for the United States on Wednesday.

But on Saturday, Brigadier General Narciso Cabrera, the Manila police superintendent, said in a statement that the blast was caused by a fragmentation grenade that may have gone off accidentally. He ruled out any connection between the explosion and the alleged anti-Marcos campaign.

Saudis Hold 21 Iranians After Rally

RIYADH — Saudi security forces arrested 21 Iranian pilgrims Sunday during a demonstration in the holy city of Medina, the third demonstration by Iranians since Tuesday, an Interior Ministry spokesman said.

He said the pilgrims were summoned to a rally in front of the Iranian diplomatic mission in Medina by Hojatoleslam Musavi Khomenei, the personal representative of the Iranian leader Ayatollah Ruhollah Khomeini to this year's Moslem pilgrimage season.

Saudi security forces broke up the rally, which featured Khomeini portraits and "banners not related to religion," the spokesman said. He said those arrested would be returned to Iran. Interior Ministry statements on the two earlier demonstrations said they involved "several thousands," but did not mention arrests.

Bomb in Tehran Kills One, Hurts 3

LONDON — One person was killed and three were wounded Sunday in central Tehran in the third bomb blast in the Iranian capital in a week, the government's Islamic Republic News Agency reported.

The blast, from a concussion bomb, brought to 21 the number of people killed in bomb attacks in the city since Sept. 6, the Iranian agency said in a dispatch received in London.

The bomb was discovered in a package left in a telephone booth in Enghelab Square. It exploded when the passer-by who found it tried to defuse it, the agency added.

Explosives Defused at Ulster School

BELFAST — Bomb experts defused 700 pounds (315 kilograms) of explosives on the grounds of a school over the weekend and shots were fired at a village police station, both near the border with the Irish Republic, police said Sunday.

Police discovered six beer kegs full of explosives Friday at a school in County Fermanagh. The area was sealed off for two days while the device was defused. On Saturday night at least seven shots were fired at the police station in Coalisland, County Tyrone. There were no injuries.

In Ireland, part of the border county of Louth was evacuated Friday night while police and soldiers checked a van believed to be carrying explosives. Officers had chased the van but its two occupants escaped, said a spokesman for the Royal Ulster Constabulary. The van was carrying beer kegs, frequently used by the Irish Republican Army to disguise bombs.

Anti-Mafia Bill Is Approved in Italy

ROME — The Senate has given final approval to a bill that outlines any association with the Mafia, and that gives police much wider powers to arrest Mafia suspects and their associates.

The law, passed Saturday, gives law enforcement officers wide-ranging powers to investigate the financial interests of suspected gangsters. It also allows them to broaden their use of electronic listening devices, and to search bank and financial records for criminal activity. The law must be published in the official register before it takes effect.

The approval of the bill was sped by the assassination of General Carlo Alberto Dalla Chiesa on Sept. 3. General Dalla Chiesa was appointed by the government in May as prefect of Palermo to lead the fight against the Mafia, which has been accused of killing 103 people in Sicily this year.

Pope Links Consumerism, Terrorism

PADUA, Italy — Pope John Paul II, addressing a crowd here Sunday, blamed a "hedonistic and consumerist society" for depriving young people of noble ideals and turning them to terrorism.

Addressing a meeting at the University of Padua during a 13-hour visit to this northeastern Italian city, the pope said the nature of modern society explains "forms of violence by which certain groups express their dissatisfaction, or decide themselves that they can accomplish the fallacious projects of a new society, through terrorist acts."

Mexico Adds to Monetary Controls

MEXICO CITY — The government has imposed additional monetary controls, regulating the entry and exit of pesos in a move that could reduce or halt international trading in the weakened currency. U.S. banks and businesses along the border were expected to be hard hit by the new ruling.

A government announcement Friday said pesos can no longer be taken from the country and can only be brought to Mexico in quantities of 5,000 or less per person. Many silver and gold items and jewelry can no longer be brought into or taken out of the country without government approval. The measures are to remain in effect until the end of 1983.

The restrictions make it difficult for people holding dollars to take advantage of weak peso rates. Signs were to be posted along the U.S. border Monday warning travelers that certain consumer products cannot be taken out of Mexico.

Pretoria Unveils Advanced Howitzer

PRETORIA — South Africa has unveiled an artillery piece that it says is the deadliest in the world, and offered to sell it to "friends" in three to four years.

The six-wheeled, self-propelled G6 howitzer has a range of up to 250 miles (400 kilometers) over rough terrain, mud or sand, can cruise at 60 miles per hour on paved roads and can fire as many as four 155mm shells per minute on an enemy ready 25 miles away, officials of the state-run weapons manufacturer Armscor said Saturday.

Commandant Piet Marais, the Armscor chairman, said the G6 could use all NATO-issue 155mm ammunition. It could also deliver a 155mm nuclear shell reported to have been developed by the United States, "but this is not the aim of the G6 nor is it government policy for this to happen," he said.

New Herpes Link to Cancer Found

By Paul Jacobs
Los Angeles Times Service
SEATTLE — A Washington state scientist has found fragments of herpes virus in the tumors of cervical cancer patients, adding to growing evidence that genital herpes infections may play an important role in the development of cancer.

The pieces of herpes virus found in the tumors are virtually identical to fragments known to cause malignant changes in laboratory experiments with animal cells, according to James K. McDougall, a researcher at the Fred Hutchinson Cancer Research Center here. A group of Scottish scientists in Glasgow has recently reported a similar result.

The new findings, reported Friday at the 13th International Can-

cer Congress, are of particular concern because of the current epidemic of genital herpes.

At least 20 million adults in the United States are estimated to carry the persistent and often painful genital infection, which in most cases is spread by sexual contact.

Cautious Work on Vaccine
 Several groups of scientists are working on a vaccine to prevent the infection. But its development is proceeding cautiously, in part because of fear that a vaccine made from the herpes virus might itself cause cancer.

Cervical cancer strikes 16,000 U.S. women each year. Before the herpes outbreak, the incidence of such cancer had been decreasing. Few women who are infected with genital herpes are considered likely to develop the cancer, but a 1973 study indicated that herpes may increase the risk sevenfold.

In July, Dr. McDougall and his co-workers reported finding evidence of functioning herpes virus fragments in 30 percent of cervical cancer tumors. As a result, he said, he believes that genital herpes infections may be responsible for 30 percent of the cases of cervical cancer.

The new findings, reported Friday at the 13th International Can-



Tokyo residents evacuated their homes Sunday after typhoon triggered flooding in the city.

11 Killed, 78 Hurt in Japanese Typhoon

The Associated Press
TOKYO — A typhoon dumped torrential rains on central Japan Sunday, triggering floods and landslides that halted transportation and killed at least 11 persons and injured 78. Sev-

erely damaged homes were scattered along the coast, and the typhoon, the third this year to

heading north, bisected the northern half of Japan's heavily populated Honshu Island.

In central Tokyo, the Kanda River overflowed in the early evening, flooding more than 2,000 homes in the Shinjuku en-

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After Rare Defeat, Reagan Is Likely to Veto More Carefully

By Steven R. Weisman
New York Times Service

WASHINGTON — President Ronald Reagan's political instincts may tell him to veto a string of vetoes on budget measures in the weeks ahead. But the veto decision on Friday, the administration's biggest test in Congress in 20 months, could mean that he will have to choose his fights with care.

This was the initial assessment of White House strategists, who were sobered by back-to-back vetoes in the House and Senate regarding the president's veto of a \$14.1-billion supplemental spending bill.

To the White House, the veto was disappointing evidence that Mr. Reagan was not being able to count on automatic support from his Republican or Democratic allies for his cuts in social programs. The president made a last-minute concession to spare a job program for the elderly poor, but it was apparently too late to win many votes.

Mr. Reagan's aides found solace, however, in their conviction that even the do-

leat on the veto leaves the administration able to say it is doing its utmost to stem government spending.

"Since most Republicans supported the president and since all but a few Democrats voted against him, White House officials believe that Mr. Reagan will be able to campaign comfortably for Republicans this fall. No one talked of punishing any Republican or Democratic defectors.

"I think it's fair to say that there was no fundamental damage done," a Reagan aide maintained. "We were nicked on this thing, no question. But we have been encouraged to hold the line on spending, and I think our vetoes will be sustained in the future when the issues are clear-cut."

In the unaccustomed role of reviewing a loss on Capitol Hill, administration strategists cited myriad factors and accepted a measure of blame. But no one expressed any regret about Mr. Reagan's veto.

A top aide cited a memorandum by Richard G. Darman, coordinator of the legislative strategy group at the White House, saying the group unanimously fa-

vored a veto in spite of the "substantial likelihood" of its being overridden. This memo was written last month, shortly after Mr. Reagan had won congressional approval of a \$98-billion tax increase.

One of the administration's biggest mistakes, White House officials now say, was to announce the veto in the two-week congressional recess without warning of the battle.

Difficulties of sustaining it when Congress returned. As a result, they say, a false sense of security built up over the veto battle.

"With all the euphoria over the tax fight, not to mention the Lebanon settlement, it can be argued that some of us felt we could win anything we put our mind to," an official said. "That wasn't true of everybody, and we found right away during the recess that congressmen just didn't want to focus on it."

Another aide said the vote meant that if Mr. Reagan continues to exercise veto af-

ter veto, without carefully choosing the most important issues, Congress could get into a dangerous habit of overriding him. On the other hand, Mr. Reagan does not want to seem to be less than vigilant on what he sees as excessive spending.

"There's a risk either way," the official said, "and it's something that's going to have to be assessed here in the next several days."

It was obvious to White House officials that the primary reason for Mr. Reagan's loss was his failure to persuade Congress that the appropriations bill was the "budget-buster" he said it was. The bill was less than \$1 billion over the administration's spending targets in social programs, but it made up for that by cutting \$2 billion in military spending.

Even though the bill contained the military cut, Defense Secretary Caspar W. Weinberger had recommended that Mr. Reagan sign it. A White House aide said Mr. Weinberger was worried about provoking too many fights with Senator Mark

O. Hatfield, chairman of the Senate Appropriations Committee. The secretary had hoped to placate Mr. Hatfield, an Oregon Republican, so he would support the Defense Department in the much more difficult battles over military spending that are sure to come.

For different reasons, Secretary of State George P. Shultz had also asked Mr. Reagan to sign the bill. Mr. Shultz had his eye on the \$350 million in the bill that is earmarked for aid to the Caribbean region.

Nevertheless, Mr. Reagan's aides at the White House unanimously favored a veto. In retrospect, some White House officials said this appropriations bill should not have been described as a budget-buster by Mr. Reagan. But they insisted that because it exceeded his targets on the domestic side, it was worth the fight even though he lost.

"The president is going to lose some more veto fights before the year is over," an official predicted. "But he's going to win more than he loses."

33 State Aides Assert Rights Enforcement Suffers Under Reagan

By Robert Pear
New York Times Service

WASHINGTON — The chairmen of 33 state agencies affiliated with the United States Commission on Civil Rights have signed a letter to President Reagan asserting that he is responsible for a "dangerous deterioration in the federal enforcement of civil rights."

After being told of the allegations, the chairman of the federal civil rights commission, Clarence M. Pendleton Jr., called them unfounded.

On Monday and Tuesday, the chairmen of all 50 state advisory committees are scheduled to hold their annual conference in Washington.

The 33 chairmen who sent the letter requested a meeting with Mr. Reagan, but the White House replied that the president could not grant the request because of the "heavy demands on his time."

Members of the state advisory committees are appointed by the Civil Rights Commission to monitor civil rights at the local level. They conduct wide-ranging investigations and submit reports and recommendations to the commission.

The commission itself is an independent, bipartisan body established by Congress to investigate complaints of discrimination based on race, religion, sex, age, or physical or mental handicaps.

Mr. Reagan has repeatedly declared a strong commitment to civil rights, although many of his actions have provoked criticism from rights advocates.

"Acting as Individuals"

In their letter, the 33 chairmen said they were "acting as individuals," not as spokesmen, for their organizations. "Recent events have forced us to the conclusion that the integrity, and indeed the future, of the basic civil rights agencies of the federal government are in grave doubt," the letter said.

"With some exceptions," it said, "persons without adequate professional training, background, and commitment are routinely appointed to the highest leadership positions of vital agencies." Agencies referred to included the Commission on Civil Rights, the Equal Employment Opportunity Commission and the civil rights division of the Department of Justice.

The appointments, combined with "severe reductions in the operating funds" of the agencies, guarantee the "emasculatation of vital programs," the letter said.

Several of Mr. Reagan's nominations to the Civil Rights Commission are before the Senate, pending confirmation.

Japan Fishing Curbed To Net a Pro-Veto Vote

By Ward Sinclair
Washington Post Service

WASHINGTON — In return for the vote of Representative Edwin P. Forney, Republican of New Jersey, in last week's veto battle in the House, the White House agreed to issue controversial regulations barring Japanese tuna fishermen from certain U.S. coastal waters in the Atlantic.

Administration sources said the decision was made by David A. Stockman, the director of the Office of Management and Budget, at the urging of House Minority Leader Robert H. Michel, Republican of Illinois.

As a result, Mr. Forney reversed his position on the \$14.1-billion supplemental appropriations bill and voted Thursday to sustain President Ronald Reagan's veto. The tally was 307 to 117 to override the veto, but the administration approved the regulations and sent them to the Federal Register for publication this week.

Mr. Forney's acknowledged Friday that his vote was linked to his long-standing interest in winning support of the fishing prohibition. He said his objective was protection of sport fishermen who complain increasingly that their gear is damaged by lines from Japanese vessels in the Atlantic.

The regulations, drawn up by the Commerce Department's National Oceanic and Atmospheric Administration, will take force 10 days after publication. In effect, they will preclude Japanese tuna fishing in U.S. waters north of Cape Lookout, North Carolina.

"This was an extremely painful decision for the administration," said an official. "It could have ramifications for U.S.-Japanese trade. It might violate other volun-



Alice M. Rivlin

Economist Rivlin Planning to Leave U.S. Congress Job

Washington Post Service

WASHINGTON — Alice M. Rivlin, founding head of the Congressional Budget Office and sometime critic of the economic policies of three presidents, including Ronald Reagan, does not intend to seek reappointment when her term ends Jan. 31.

Mrs. Rivlin, a former economist at the liberal Brookings Institution, told budget office staff members of her decision Friday, and in the last few months has given congressional leaders the same message, an aide said. She is in her second four-year term.

"We're going to ask her to stay on," the House Budget Committee Chairman, James R. Jones, Democrat of Oklahoma, said Saturday. But he added: "We are going to begin to consider who would replace her."

The rules will immediately close the area north of Cape Lookout to foreign longline operations; that is, about a dozen Japanese fishing vessels. They will impose fines of up to \$500 per billfish and \$272 per swordfish illegally pulled up and ban foreign fishermen from areas in which U.S. operators have placed "fixed" gear.

The Japanese lines, up to 50 miles (80 kilometers) long, regularly hook billfish, which, under U.S. regulations, must be returned to the sea. U.S. fishermen contend that as many as 70 percent of these fish die.

Spokesmen for the Japan Fisheries Association said Friday that they were uncertain whether the organization would try to block the restrictions.

Justice Marshall Assails Hasty Court Opinions

By Fred Barbash
Washington Post Service

WASHINGTON — Justice Thurgood Marshall has gone public with his grievances against the Supreme Court in a speech accusing his colleagues of giving "cavalier treatment" to some cases by issuing hasty summary opinions.

He is the fourth justice in the past month to speak out publicly about the Supreme Court's problems. The justices ordinarily confine their criticisms to formal published opinions and dissents.

Justice Marshall's speech, delivered Thursday to the U.S. 2nd Circuit Judicial Conference and released Friday by his office, attacked the increasingly common court practice of hurriedly issuing per curiam opinions on major cases, unsigned and without the benefit of full oral or written arguments by the parties.

The most highly publicized of these opinions — generally drafted and issued by conservative justices — recently upheld a 40-year prison term imposed on a Virginia man for possession of nine ounces of marijuana.

The court also ruled summarily in 1979 when it upheld the government's punishment of the former CIA agent Frank Snepp for writing the book "Deceit Interval" in violation of an agency secrecy oath.

Aid to Officials

Justice Marshall, who is considered a liberal, said this "cavalier" treatment creates potential for error and confusion, gives short shrift to important issues and is being used in a biased fashion to benefit government officials.

"In a disproportionate number of cases," he said, "the court has employed the device to aid pro-



Thurgood Marshall

years. Until recently, however, it has taken place in dissents rather than speeches. Last month in a speech to the American Judicature Society, Justice John Paul Stevens, a moderate, criticized overhasty and premature rulings.

25 'Priceless' Mayan Jade Artifacts Are Stolen From New York Museum

New York Times Service

NEW YORK — A thief who apparently hid in the American Museum of Natural History on Sept. 5 stole 25 Mayan jade artifacts valued at nearly half a million dollars.

New York City detectives said the thief, who broke into a display case containing the objects, which date from 300 to 900 A.D., apparently fled by rope from a second-floor window.

David Hurst Thomas, chairman of the museum's department of anthropology, said the items were insured for \$478,000 but were regarded as priceless and irreplaceable because they were of "great scientific and esthetic value." They were from what are now Guatemala and Mexico.

A museum spokesman, Herbert Kurz, said that although the case from which the items were taken and the window were not equipped with alarms, "other windows and other cases are."

The artifacts, which were discovered missing Sept. 6, range in size from a one-inch pendant to a plaque, showing three seated figures, that is 6.6 inches high and 5.2 inches wide. The stolen objects carry no permanent identifying marks, museum officials said.

U.S. Protection of Witnesses Comes Under Fire Crimes by Program's Beneficiaries Are Described to a House Panel

By Leslie Mairland
New York Times Service

WASHINGTON — Frank Balderson of Alliance, Nebraska, speaking in a contained voice that did not conceal his anger, denounced his trip to Washington as an effort "to protect the government's involvement in the murder of our son."

"It is not in the natural order of things for parents to bury their children," said Mr. Balderson, testifying before a House subcommittee hearing last week on the Justice Department's program to provide new identities for criminals who agree to testify for the prosecution.

But unless some changes are made, it could happen again.

The Baldersons' 24-year-old son, James, was killed last year in a \$30 robbery in the grocery store where he worked in Fort Collins, Colorado. The admitted killer, Marion Albert Pruett, is a former convict who, having agreed to testify about a prison murder, had been moved to another city by the government and granted a new identity. He has also confessed three other killings in Colorado, Mississippi and Arkansas. He was also indicted in New Mexico in connection with the beating death of his wife.

It was just one of several "horror stories" as one of the congressmen put it, that the subcommittee heard in testimony Thursday and Friday on a bill governing the Federal Witness Security Program, now in its 12th year of operation.

Fewer Repeaters

According to Howard Safir, the assistant director for operations in the U.S. Marshal Service, 97 percent of the participants have committed serious felonies. But he said their rate of return to prison after release has been only 17 percent as against a recidivism rate of more than 50 percent for people on parole.

"The bill codifies a program originally enacted in the Organized Crime Act of 1970, which said the attorney general can provide protection for witnesses and expend funds on their behalf," Mr. Safir said.

Tire Bursts on New Boeing

CHICAGO — A United Airlines Boeing 767 jet circled for almost an hour over O'Hare International Airport late Saturday night after a landing tire burst. The 767 began commercial flight Wednesday.

ate attorney general, described the program as "one of the most effective and most important tools in the prosecution of organized criminal conspiracies."

The misconception is that the government has control over these people," said Mr. Giuliani, a former federal prosecutor in New York, referring to relocated witnesses who engage in crime. "But they are free to move around. The government changes their names. The government can't necessarily change their behavior."

Mr. Giuliani told the subcommittee chairman, Representative Robert W. Kastenmeier, Democrat of Wisconsin, that his department had instituted most of the reforms called for in the bill. These include measures for disclosing the identity and location of a protected witness, if state and local law-enforcement authorities request the information, and similar disclosure about witnesses who refuse to obey a civil judgment.

Although the Justice Department generally supports the legislation, Mr. Giuliani said, it vehemently opposes a provision to require the government to enter into a contract with participating witnesses and allow them to sue over disagreements. He also found fault with a provision guaranteeing a witness the right to a court hearing in case of a disagreement over a department decision to cut off protection and assistance.

He said the witness program had been greatly improved since 1978, when the Justice Department undertook a study of its effectiveness.

The witness protection effort, which has a budget of \$26 million this year, provides for temporary protection and relocation of witnesses in important federal cases, particularly those involving organized crime or narcotics trafficking. Witnesses are given new identities, limited financial aid and assistance in finding work.

Mr. Safir said that 3,993 witnesses had taken part in the program with their families, accounting for the relocation of approximately 14,000 people. Although "no witness under active protection has been harmed," Mr. Safir said, "15 or 16 have been murdered later because of new criminal activity or in returning to the danger area against the advice of the Marshal Service." He added that testimony from protected witnesses in the last three years had led to more than 2,000 convictions.

Rudolph W. Giuliani, an associ-

A N.Y. Town Reins In Its Joggers

By John T. McQuiston
New York Times Service

MILL NECK, New York — The trustees in this Long Island village have voted an ordinance that sets rules for joggers and punishes violators with fines of up to \$250 and with jail terms of up to 90 days.

The ordinance requires joggers along roadways to run in single file, to keep to the shoulder of the road, to run against traffic and, at night, to wear both front and back reflector gear.

"This type of law is far from common — it's extraordinary," said Gloria Averbuch of the New York Road Runners Club, which has more than 21,000 members in the New York metropolitan area. "It treats joggers like criminals."

John C. Jansing, Mill Neck's mayor, said that among his reasons for pressing for the ordinance, which was voted unanimously Wednesday night by the five-member trustee board, was that he had "a couple of friends in the metropolitan area who had been killed while jogging."

The mayor, who said he does not jog, acknowledged that there had been no recorded mishaps involving joggers on the 11 miles (18 kilometers) of narrow roads that wind through this rural village of horse farms and five-acre (two-hectare) estates on Long Island's north shore. But, he added, "We want to keep it that way."

Police in Nassau County, Long Island, said that 34 county residents were killed in pedestrian motor vehicle accidents last year. But they noted that there was no way to determine statistically whether any were joggers.

nance approved on Dec. 25 by the Township of Holmdel in Monmouth County, New Jersey. The only difference between the laws is that in Holmdel, the fine can be as high as \$500.

Betty Curtis, assistant township clerk in Holmdel, said the law had been enacted there because "there was a big problem of people running in the streets at night and it was difficult for drivers to see them."

Sgt. Raymond Wilson of the Holmdel Police Department said that no one had been arrested under the law, but that his men had "given out some warnings."

In Mill Neck, joggers' reaction to the new law was mixed.

"I run in Mill Neck all the time," said Michael Foley, 27, who runs "about 55 miles a week." He is training for the New York City Marathon, which is scheduled for Oct. 24.

"I can understand why they might think they need the new law — the roads are very winding and at night there are no street lights," said Mr. Foley, who wears a reflective belt when he runs at night.

But for Aldo M. Scandura, 67, who has been running and jogging for 38 years, the new law in Mill Neck is not such a good thing. "Safe running is a matter of common sense," he said, "not something to write laws about."

Mr. Scandura, who lives in Greenvale, Long Island, said, "I say the law has to be tested. How does it define what jogging is, as opposed to running or walking? If they want to pass laws, why don't they write some that protect joggers, like

Murdoch Renews Talks On Buying U.S. Paper

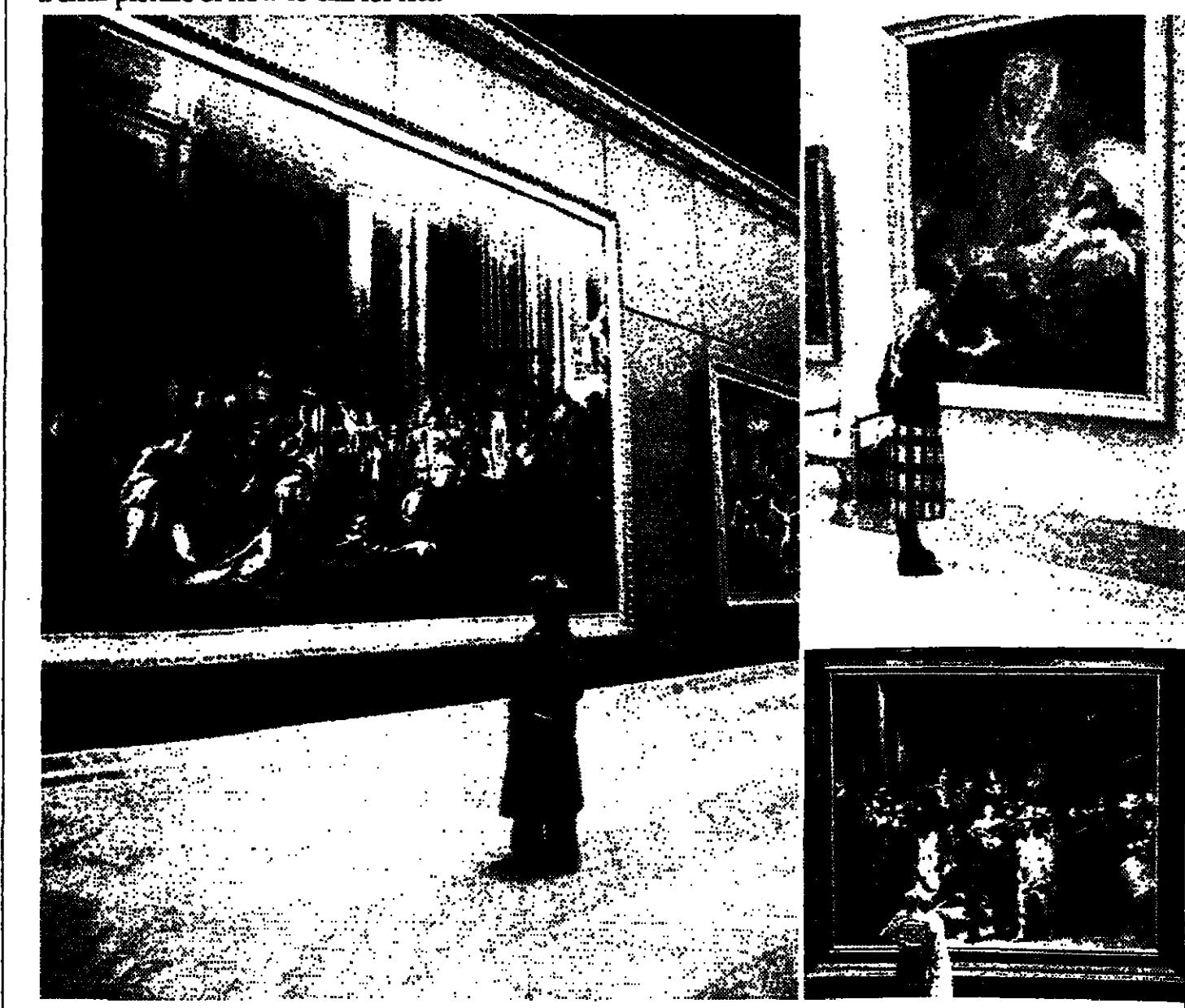
New York Times Service

NEW YORK — Rupert Murdoch has renewed talks on taking over the Buffalo Courier-Express after the announcement by the newspaper's owners that they intend to close it Sunday, after three years of losses.

Mr. Murdoch, whose publications include the New York Post, The Times of London and several Australian dailies, had rejected an earlier approach by the owners of The Courier-Express, Cowles Media Co. of Minneapolis, according to officials of Cowles and of Mr. Murdoch's News America Co.

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Junior Partner in Bonn Coalition Isn't Quite Ready to Jump Ship

By James M. Markham
New York Times Service

BONN — As he ended his contribution to a full-day Bundestag debate last week, Deputy Chancellor Hans-Dietrich Genscher looked as if he had just about made up his mind to put an end to the 13-year coalition between the small Free Democratic Party and the Social Democrats.

Not once did the large, bespectacled Mr. Genscher, who is also foreign minister, actually say that the coalition was moribund or that at the opportune moment his party would switch alliances, bringing the conservative Christian Democrats to power.

The message was conveyed with atmospheric, not words. The opposition Christian Democratic benches vigorously applauded him as he recalled his party's commitment to free enterprise and to close ties with the United States. The Social Democrats listened in eloquent silence, and Chancellor Helmut Schmidt stared coldly into the middle distance.

But so wrenching, so divisive and so uncer-

tain is the Free Democrats' possible new course that party insiders predict that it may be weeks before the cautious Mr. Genscher makes a final, irrevocable decision.

Mr. Genscher's ambivalence and his dilemma were caught by a cartoon portraying him as Eve in Paradise reaching out for an apple proffered by a snake-like Helmut Kohl, the Christian Democratic leader. For the Free Democrats, allies are sometimes as dangerous as foes.

"We are all aware that the party's survival is at stake," commented one Free Democratic figure, catching the mood of anxiety in the organization.

Since the 1950s the Free Democrats have managed to exercise a disproportionate amount of government power by persuading voters that middle-of-the-road policies are necessary to temper the extreme conservatism of the Christian Democrats or the radical left wing of the Social Democrats.

In 1980 elections this phenomenon reached its high-water mark. Many Christian Demo-

crats, upset by the right-wing candidacy of Franz-Josef Strauss, voted Free Democratic, and moderate Social Democrats did the same to ensure that Mr. Schmidt, in partnership with Mr. Genscher, would be able to tame the Social Democrats' left wing. The Free Democrats took 10.6 percent of the popular vote.

As the German economy stagnated and the coalition came unstuck over a variety of questions, the Free Democrats' electoral popularity dipped sharply. In the Hamburg elections in June, the party fell to a humbling fourth place behind the environmentalist party and, with only 4.8 percent of the vote, failed to get into the state parliament.

Now an even greater challenge faces the Free Democrats in the state elections on Sept. 26 in Hesse, where they have pledged to try to form a local coalition with the Christian Democrats that could become a model for Bonn.

Most opinion polls show the Free Demo-

crats close to the 5 percent cutoff point for getting into the Hesse legislature, but at the same time soundings suggest that the Christian Democrats could attain a majority of seats, which would make a coalition unnecessary. "It's not in our interest to see the Social Democrats lose too badly in Hesse," observed one Free Democratic electoral strategist.

The same problem exists at the national level. In last Thursday's Bundestag debate, Mr. Schmidt observed that, even if Mr. Kohl did supplant him as chancellor by allying with the Free Democrats, the Christian Democrats would be forced to renew their legitimacy through early elections.

This argument seems to be gaining ground among various Christian Democratic chiefs, including Mr. Strauss, the powerful Bavarian leader, who appears relatively unenthusiastic about making a deal with the Free Democrats in Bonn.

The idea of going to general elections after having just switched alliances in Bonn is un-

nering for Mr. Genscher and his party. On the stump, Mr. Schmidt and other Social Democrats would surely accuse the party of opportunism.

And, if some polls are to be believed, it is just conceivable that the Christian Democrats could win an outright majority in parliament, completely undercutting Mr. Genscher's leverage as a coalition broker.

As he works through the scenarios that could follow a switch in alliances, Mr. Genscher must also weigh the likelihood that some left-wing Free Democratic parliamentarians — perhaps a dozen of the 53-member bloc in the Bundestag — might not follow him in rebuking Mr. Schmidt. Already, a party congress to be held in November in Berlin promises to be a tempestuous affair.

"We stand together, lest anyone should harbor false hopes on that score," the deputy chancellor bravely told the Bundestag last week. As he hears a momentous decision, Mr. Genscher sounded to some as if he were whistling in the dark.



Hans-Dietrich Genscher

Phone Links to Russia Restored After 9 Hours

Compiled by Our Staff From Dispatches

MOSCOW — International telephone service to and from the Soviet Union, which was disrupted for about nine hours Friday, was restored Saturday. However, the action immediately resulted in a two-day delay in bookings for calls to most countries.

No official explanation was given by the Ministry of Communications, where a spokesman said Friday that the international station in Moscow had suffered a "malfunction."

Soviet telephone operators said the problem was repaired early Saturday and began accepting some international bookings. But most callers were told their requests would not be placed until Monday.

All direct-dial service out of the country was eliminated earlier this summer. A West German government spokesman has said that if

the loss persisted it could constitute a violation of the 1975 Helsinki agreement under which signatories agreed to enhance the flow of information between East and West.

Problem in Switching Station

In New York, an official of the American Telephone & Telegraph Co. said Friday that the cutoff from the Soviet Union appeared to be the result of a technical breakdown in a Moscow switching center.

Robert M. Cann, network service supervisor for the AT&T division that handles long-distance and overseas calls, said that three of the 19 circuits connecting the United States and the Soviet Union did not pass through the Moscow center and those circuits remained in operation.

The collapse of telephone links affected some government ministries as well as foreign embassies,

businesses, news offices and the Soviet public.

A senior official in a Soviet ministry, seemingly anxious to discourage speculation that the cutoff of telephone service had political implications, told a Western journalist that he was unable to put a call through to Czechoslovakia and quipped, "If I can't call Prague, it can't be political."

Telex communications between the Soviet Union and the United States and Europe continued to function, and a specially leased telephone line that the U.S. Embassy maintains in the State Department in Washington, as well as the "hotline" between the Kremlin and the White House, also remained in operation.

The breakdown was the latest twist in a rapid decline in Soviet telephone links to the West that began two months ago. Beginning in July, the number of links between the Soviet Union with the

United States and Western Europe was drastically reduced.

Soviet officials cited "technical reasons" as the explanation and said the renovation of equipment may continue until 1984.

Western analysts have speculated that restricted telephone service may be motivated more by a desire to choke off the flow of information from the West to ordinary Soviet citizens.

In the last two years, Soviet emigres in the West have taken increasing advantage of direct-dial service to the Soviet Union to talk with friends and relatives.

Soviet dissidents and activists in the Jewish emigration movement regularly received calls from supporters in Europe and the United States. The gradual spread of direct-dial service out of the Soviet Union had made those contacts easier, while almost certainly complicating efforts of the state security apparatus to monitor international calls.



SPANISH CANDIDATE — Prime Minister Leopoldo Calvo Sotelo, left, and the chairman of the Union of the Democratic Center, Landelino Lavilla. Mr. Lavilla was chosen Saturday as the ruling party's candidate for prime minister in the Oct. 28 elections. The party, losing its backing in the parliament, called the election six months early.

Communists in France Seek Influence in Army

By John Vinocur
New York Times Service

PARIS — The French Communist Party has signaled the start of a campaign to bring its sympathizers into the ranks of officers and noncommissioned officers in the armed forces. The goal, it says, is to protect "the democratic construction of socialism."

The campaign also stresses the importance of involving Communists in soldiers' committees that discuss matters concerning the conditions of recruits, such as food, access to information and base security, with regimental authorities.

Under French law, career officers are not allowed to be members of political parties and must give up any links with them before receiving their ranks.

The Communists' intentions as part of the Socialist-led government are outlined in the current issue of the party publication *Correspondance Armée-Nation*. It published a document, described in an accompanying commentary as important, outlining the party's attitudes on the participation of Communists in the French armed forces.

Call by Republican Party

The document had the appearance of an attempt to bring politics into the military. In such an attempt, however, the Communist Party would not be alone. The Republican Party, associated with former President Valéry Giscard d'Estaing, said last week that it would urge soldiers to denounce restraint in military spending forecast in the 1983 budget.

Charles Hernu, the French defense minister, has been critical both of efforts to introduce the

Soviet Armed Forces Are Ordered to Produce More of Their Own Food

By Robert Gillette
Los Angeles Times Service

MOSCOW — The Soviet armed forces, along with defending the motherland and carrying out what the press here calls their "international duty" in Afghanistan, have been handed a challenging new assignment — helping to alleviate the Soviet Union's food shortages.

The armed forces have long operated a nationwide system of secret military farms, food processing plants and food reserves. Now, as the Soviet Union faces its fourth poor grain harvest in four years and zero growth in meat and dairy supplies, the army and navy are under orders to increase their own production of meat, milk, eggs, potatoes and vegetables by at least 50 percent by the end of 1985.

The objective is to ease the strain the armed forces put on civilian food supplies and to improve the nourishment of the 4.2 million servicemen, more than twice the number of Americans in uniform.

An even greater increase in military food production is expected by the end of the next five-year plan in 1990, according to the armed forces newspaper *Krasnaya Zvezda*.

In a vigorous campaign to build

enthusiasm for farming among the service personnel, the newspaper has been reporting almost daily on the horticultural achievements of army and navy units from the sunny Black Sea coast to the polar north and the Ural Mountains, where onions, radishes, dill and lettuce are said to thrive under powerful ultraviolet lights in the hothouses of remote garrison towns.

"A great many people looked skeptically on anyone who suggested that agriculture be developed above the polar circle," Admiral Arkady Mikhailovich, commander of the Northern Fleet, told workers recently on the navy farm "Northern Sailor." Then he noted proudly that the fleet produces all the milk and eggs it consumes.

The Soviet Union has not disclosed how much of the food eaten by its armed forces comes from military farms, but the contribution is substantial, reportedly tens of millions of rubles' worth of produce every year.

"What we see on soldiers' and sailors' tables is in no small degree produced within the armed forces," Army General Semen K. Kurkotkin, chief of logistics and supply, said recently.

He also said that meat produc-

tion on military farms has risen 34 percent in the past five years.

The general made it clear that one purpose of the expansion order, in addition to easing the strain on civilian supplies, was to reduce transportation costs in supplying garrisons, especially in remote areas.

The military's campaign to fend for itself has emerged as part of President Leonid I. Brezhnev's widely heralded food program, unveiled May 24 after more than 18 months of internal debate on the nation's food problems.

Published summaries of the Brezhnev plan show it to consist largely of promises to improve housing and income and other material incentives for farm workers, in addition to some organizational changes in the highly centralized management of agriculture. Western analysts are skeptical that the program will do much to lift Soviet agriculture from its present stagnation.

Drought, floods and hail have damaged crops for the fourth year in a row. Despite massive capital investments, food production is showing almost no growth. Meat output has been essentially static since 1975 and milk production has fallen 7 percent in the past four years. Meat, butter and in some cases milk and sugar are rationed in a number of provincial areas. More than one-fifth of the country's food spoils before it reaches consumers.

However, no recent evidence of hunger has surfaced in the Soviet Union, and Soviet experts say the average Russian's starch-laden diet has made a little more than half the population overweight.

Under its own food program, the Defense Ministry has ordered every military industrial establishment to set up "subsidiary farms" by 1985 to supplement food supplies of their civilian employees as well as the armed forces.

Garrison towns across the country are being urged to build greenhouses, plant personal vegetable plots and redouble efforts to raise pigs and chickens. Military farms themselves have been ordered to increase production by 15 percent this year.

Run by the Central Food Directorate of the armed forces' logistics branch, Soviet military farms began a major program of expansion and modernization in March 1965, less than five months after Mr. Brezhnev came to power.

Their output of meat has subsequently risen 50 percent, milk production has doubled and egg output is reportedly up fivefold. Development of these special farms has helped the military strengthen

its position as a semi-autonomous part of the Soviet economy.

At the same time, some of the Defense Ministry's agricultural enterprises are acknowledged to suffer from "deficiencies" and "unsolved questions" that leave ample room for producing more food at lower cost.

No army is famous for its cuisine, but food in the Soviet Army is particularly disreputable. Former servicemen complain that meat and fresh vegetables are rare in a diet that stresses potatoes, grease and gruel.

In retrospect, *Krasnaya Zvezda* appears to have paved the way for its unusual discussion of Soviet food problems with an article May 7 asserting that, while there may be shortcomings at home, conditions in the outside world are far bleaker.

Seven million Americans were starving, Lieutenant Colonel N. Karasev, an economist, wrote. He alleged that 20 million American families "live permanently on the brink of hunger."

Record U.S. Crop Predicted

The U.S. Agriculture Department said Friday that American grain farmers are expected to produce record wheat, corn and soybean crops this year while the Soviet Union is expected to harvest

its poorest total grain crop since 1975. The New York Times reported from Washington.

The department's Foreign Agricultural Service repeated its earlier estimates that Soviet wheat and coarse-grain production would be 170 million metric tons, 5 million tons less than last year. The service lowered slightly its August estimate of Soviet wheat production but said corn and other coarse-grain crops would be slightly larger than expected last month.

The department also forecast total world crop production for the 1982-83 seasons would be only slightly below the 1981-82 record.

In its forecast of crop production as of Sept. 1, the department's Crop Reporting Board again predicted that this year's American corn crop would exceed 211 million metric tons, virtually unchanged from last month's estimate. A crop of that size would be 1 percent larger than last year's record-breaking production.

The board increased its estimate of the 1982 wheat crop to a record 76.6 million tons, which would also be 1 percent larger than last year's record. It also raised slightly its estimate of 1982 soybean production, setting it at a record high of 63 million metric tons, which would be 14 percent above last year's total.

Pinochet Rules Out Liberalization As Dissent Grows Among His Allies

By Jackson Diehl
Washington Post Service

SANTIAGO — President Augusto Pinochet, marking the ninth anniversary of his military government amid an economic crisis and eroding political support, has sharply attacked his critics and pledged not to alter the government's course or its authoritarian measures.

In a day of austere official ceremony and equally modest protest commemorating the military overthrow of leftist President Salvador Allende in 1973, General Pinochet declared Saturday that "neither the transitory situation in the economic order nor the aggression of the enemy will divert the projects of this government."

General Pinochet, 66, conceded in his annual address that severe economic problems "have hit us hard" and that "a series of difficulties have affected the work and the hopes of many." But he rejected suggestions that his government permit more freedom. He said that "all the vigor of the law" would be applied to "those who try to foment an artificial atmosphere of political agitation."

The lengthy speech, broadcast on radio and television, came after several months of turbulence in General Pinochet's government and growing signs of dissent among key supporters in the military over the economic and political models that have guided his rule.

Business Exerting Pressure

The country's business and banking sectors, which once broadly supported General Pinochet, have recently exerted strong pressure on his government to alter the strict free market, monetarist economic policy aggressively pursued for the past seven years. Once pronounced a Latin American "miracle" by its backers, Chile's economy has plummeted into a severe recession. Unemployment is reported by the government at 23 percent.

The economic problems have also contributed to the growth of traditional opposition movements and demonstrations against the government. An illegal protest march drew an estimated 2,000 people last month to the center of Santiago, and university demonstrations last week provoked the government to shut down one faculty at a major university in Santiago and to call off classes at the university in the port city of Valparaíso.

Perhaps more seriously, the pressure on General Pinochet from businessmen has been complemented by a splintering of his support among rightists. Two years after promoting a new constitution and promising an eight-year transition to a conservative, "protected" democracy that would exclude communism and some other ideologies, some of the military's key supporters have begun to complain that the expected liberalization is being largely ignored.

ture of supporters of the government outside of the government," said Roberto Pulido, the former head of a rightist political movement that supported the new constitution. "The administration has shown little interest in moving forward on political matters, and there is distrust of the sincerity of some sectors."

General Pinochet sought in his address Saturday to assuage the doubts of his political base, by arguing that the economic troubles were the fault of the world recession and stressing his commitment to carrying out the slow political transition.

But his voice rose quickly when he declared that "the government has clearly determined what is the extent of legitimate political discrepancy that can exist at this time."

He added that, although nine years have passed since Mr. Allende was overthrown, "the enemies of that time have permanently continued to agitate." He said that they were "encouraged even by the mistaken representatives of institutions of religious character."



General Augusto Pinochet at the speech to mark the ninth anniversary of his takeover.

Pump Is Blamed For Ariane Crash

United Press International

KOUROU, French Guiana — A mechanical failure in the turbopump of the Ariane rocket's third stage caused its crash Friday, the general director of France's National Center for Space Studies (CNES) said here.

The official, Frédéric d'Allest, said Saturday that the second commercial flight of Ariane, originally scheduled for Nov. 23, would be delayed until the pump could be modified. The turbopump injects the rocket's liquid hydrogen and oxygen fuel into the combustion chamber of the third stage, providing for propulsion.

Ariane, the European Space Agency's satellite launcher, crashed into the Atlantic Ocean Friday, 13 minutes after it took off with two satellites for its launching pad here. It failed to launch the satellites. But Mr. d'Allest expressed confidence that the crash had not hurt Ariane's efforts to compete with the U.S. space shuttle as a commercial satellite

search for a consensus on economic policy.

The new cabinet, named on Aug. 30, appeared to represent a compromise between the strict economic models and the demands of business groups. The new economics minister, Rolf Luder, has said there would be no change in policy. But he has also quietly led heads of business groups to expect government action on their mounting debts, the recession and unemployment.

The result, said Jorge Fontaine, president of the influential Confederation of Production and Commerce, is that "there has been a relaxation of uncertainty. Business has regained some confidence and is willing to give the government some time."

The drop in pressure from business groups, however, has not slowed the criticism by General Pinochet's civilian political supporters.

"The problem is not the exact timing of the measures," said a leading Pinochet ally who helped draft the constitution. "It is that there is doubt that the willingness to carry through the transition ex-

3 Die in Vienna Disco Fire

VIENNA — Three persons were killed and one was injured early Sunday in a fire at the Sovieso discotheque in central Vienna, officials reported. The deaths were caused by smoke inhalation and that the cause of the fire was not immediately known, the officials

General Augusto Pinochet at the speech to mark the ninth anniversary of his takeover.

Air Force, Navy Rejoin Argentine Leadership

By Edward Schumacher
New York Times Service

BUENOS AIRES — Argentina's armed forces have announced that the air force and navy were joining the government of President Reynaldo Bignone, a retired army general.

The move, ending 11 weeks of interservice squabbling, means that the three-man junta of army, air force and navy chiefs will be re-established as the country's supreme power, as it was before June 22, when the air force and the navy withdrew because of disputes with the army.

The announcement Friday repeated the previous junta's pledge that it would step down to an elected government "in the first months of 1984." It also said it would work with civilian leaders in developing the "essential aspects of a political, economic and social plan that will rule" until then.

The military took power in a coup more than six years ago. But interservice rivalry has often hampered decision making.

The feuding increased after the army's surrender June 14 to British forces in the Falkland Islands. The president and army commander,

Lieutenant General Leopoldo Galtieri, was forced by his subordinates to resign.

The air force and navy demanded that a non-army man replace General Galtieri. However, the army, the most powerful service, imposed Mr. Bignone as president. The navy and air force chiefs then withdrew from both the junta and pulled most of their officers out of their government posts. But they have since come to accept Mr. Bignone.

Brigadier Basilio Lami Dozo, the air force chief, resigned Aug. 17. Admiral Jorge Isaac Anaya, commander of the navy and the last remaining service chief from the war, grudgingly announced Wednesday that he would retire Oct. 1.

Admiral Anaya, the driving force behind the Argentine invasion of the Falklands, is to join Lieutenant General Cristino Nicolaides of the army and Brigadier Augusto Jorge Hughes of the air force in the new junta, but only until his retirement. He is then to be replaced by Admiral Ruben Oscar Franco, a former attaché in Washington.

Wilfredo Lam, 80, Painter, Sculptor Of the Surrealist Movement, Is Dead

Compiled by Our Staff From Dispatches

PARIS — Wilfredo Lam, 80, a major contemporary artist who drew his inspiration from Afro-Cuban themes, has died at his home in Paris.

Born in Sagua la Grande, Cuba, Mr. Lam started his career in Spain in the 1930s, fought on the Republican side in the Spanish civil war and moved to Paris in 1938. He joined the Surrealists after illustrating a poem by André Breton, the writer and founder of the Surrealist movement.

His paintings and sculptures were strongly influenced by African and Cuban religious images. Many of his works featured masks and images in extravagant tropical

Mr. Lam moved back to Cuba in 1940, but in 1952 he returned to Paris, where he lived until his death.

Dr. Donald Pace

STOCKTON, California (AP) — Dr. Donald Pace, 73, who was a pioneer in research into the links between cigarette smoking and cancer, died Thursday of cancer of the lymph nodes.

Lawrence Valenstein

NEW YORK (NYT) — Lawrence Valenstein, 83, who founded the Grey Advertising Agency and built it into one of the leading U.S. advertising companies, died Friday

Foreign Advisers Flock To Work in Nicaragua

By Raymond Bonner
New York Times Service

MANAGUA — So many Americans and West Europeans have descended on Nicaragua to study and work with the Sandinist government that the word *internacionalistas* is being used to refer exclusively to them.

At night these internationalists dine at French restaurants, steak houses and outdoor cafes. On weekends they escape the sweltering capital, taking their picnics and wind-surfing boards to nearby lakes. By day they work, directly or indirectly, for the government.

Excluding the several hundred Cuban and Soviet health workers, people with U.S. passports lead the tally of foreign advisers, followed by Bulgarians, French, Belgians, Germans and Swedes. There are believed to be at least 200 Americans in Nicaragua working for a range of international organizations, primarily in the fields of health, education and agriculture.

About 25 to 30 Americans also work directly for the government, the largest contingents in the Agriculture and Health ministries. Others have joined the ministries of Foreign Relations, Planning and Culture. The Sandinist newspaper and the government television system have also hired Americans.

The Nicaraguan government has yet to enact a "bottle bill," requiring a deposit on soft drink and beer bottles so as to discourage consumers from discarding their empties. And in the absence of such a law, the *Luz* newspaper Espinosa Association of Nicaraguans is being used to refer exclusively to them.

They are motivated, however, not by environmental concerns but by a crippling shortage of foreign exchange, which makes it difficult for manufacturers to buy the materials needed to produce bottles.

Within the government, there is a Consumer Defense Department. Nuevo Diario, a pro-government newspaper, devotes one page a week to "defense of the consumer," using the space, for example, to recommend substitutes for meat, of which there is a shortage here, and to guide consumers on the prices they should pay in markets.

All newspapers regularly carry small items about fires being laid against stores charging more than the government-fixed prices for 15 basic products, such as corn, beans, cooking oil and soap.

On the environmental front, 60 of the country's most important species of trees, plants and wildlife are being studied with the object of preserving them, and a forest service has been set up and a reforestation project begun.

The New World Agricultural Movement and the Center for the Study of Appropriate Technology, both based in the United States, are promoting efforts to reduce the use of pesticides and to develop geothermal energy from the country's active volcanoes and methane gas from animal wastes.

Low Profile

Three Americans, including one who has been a principal architect of the reorganization of government since the Sandinist victory, have offices next to those of the governing junta.

For the most part the Americans keep a low profile, talking to journalists, if at all, only if they will not be identified. They avoid the U.S. Embassy. Many have joined the militias, receiving military instruction and physical-fitness training.

College students from Harvard, Princeton and Stanford and Georgetown, among other places, have come to Nicaragua. For many of the young Americans, fresh from the consumer and environmental movements of the United States, some things in Managua might seem quite familiar.

For example, there was recently a lot of complaining about the fact that almost half the country's bus fleet was off the streets for repairs. And those who do not rely on public transportation are faced with menacing potholes and the irritations of gasoline rationing, which began last month.

With no limit on how much gasoline a driver could buy on the permitted day — on odd or even dates, determined by the final digit of the car's license number — "lopping off" created long lines.

Now the country is using coupons, and private cars are em-

New Smog Rules For S. California

LOS ANGELES — Enacting the toughest anti-smog regulations in the United States, Southern California's smog control board has moved to severely restrict the right of polluting companies to expand and has virtually closed the door on new sources of pollutants.

The South Coast Air Quality Management District Board voted 6 to 3 Friday to prevent any increase in air pollution from stationary sources such as refineries and factories, making it extremely difficult for manufacturers to locate in the urban areas of four counties in smog-laden Southern California.

The rule, to take effect Jan. 1, replaces a regulation that allowed businesses to start polluting operations if they first shut down sources that emitted the same amount of

Suzuki Administration Heading Toward Record Postwar Stability

Party's Leadership Appears Assured As Program of Reform Takes Shape

By Ken Ishii

TOKYO — Having successfully weathered a series of crises that his opponents hoped would bring about his downfall, Premier Zenko Suzuki can look forward to re-election to another term in charge of what is turning out to be one of the most stable administrations in postwar Japan.

At the turn of the year, there were widespread doubts as to whether Mr. Suzuki would manage to retain the support necessary to assure his election next November to a second term as president of the ruling Liberal-Democratic Party — a post that assures him the premiership.

There are still some who have doubts, for in Japan's political world of shifting factional alignments it takes only one wrong move to end a political career. But Mr. Suzuki's moves have been the right ones so far, and with no other serious contender for the LDP presidency in sight, he can be reasonably sure of his party's support for another two years in office.

Reckless Promises

The doubts stemmed from the bold and seemingly reckless promises the premier made shortly after taking office. One was a pledge to reduce government spending through a program of administrative reform that would pare down Japan's bloated bureaucracy and balance the budget without raising taxes — a program on which Mr. Suzuki has repeatedly said he would stake his political life.

Basic-reform recommendations were recently presented by an ad hoc commission of businessmen and scholars headed by Toshiwo Doko, former head of the powerful Keidanren, the Federation of Economic Organizations. However, indications of the extent to which the reforms will be implemented will not come until well after the LDP presidential election, and will not affect Mr. Suzuki's image.

Skeptics predicted that the recommendations would go the way of similar proposals hammered out in the early 1960s with great fanfare, but blocked by bureaucrats and interest groups determined to preserve their fiefdoms.

However, the premier's apparent zeal in tackling the issue and the greater urgency for reform today have raised hopes that some progress will be made.

There appears a good chance that deliberations will begin in the next Diet session on one of the most ambitious of the commission's recommendations, the breaking up of deficit-ridden Japan National Railways into regional groups placed under private management.

JNR labor unions have threatened to resist dismemberment at all costs, but with public irritation growing over JNR's frequent increases in fares — now well above those of privately operated lines — Mr. Suzuki will be able to press the issue with confidence.

Party Ballots

Other recommendations include reducing the number and size of public corporations that have mushroomed over the years. Many have outlived their usefulness except as havens for retired civil servants.

Election reform was another Suzuki pledge, which he fulfilled last month when the Diet enacted a controversial bill setting up a proportional representation system for candidates running in the national constituency in elections for the upper house. Of the 252 members of the upper chamber, 100 are elected from a nationwide constituency and the rest from prefectures.

Under the new law, voters will cast their ballots for the party of their choice instead of for individual candidates. This is expected to reduce campaign costs — long a goal of all political parties.

However, perhaps more fundamental to Mr. Suzuki's expectation of another term is the fact that

(Continued on Page 6S)

BASIC DATA

Population: 117 million.
Labor force: 56 million.
Area: 369,698 square kilometers (142,741 square miles).
International reserves: U.S. \$28.2 billion.
Imports (1980): 140.5 billion.
Exports (1980): 129.8 billion.
Gross National Product: (1980) percentage change, 4.2; 1981, 3.5; 1982 (forecast), 4.3.
Industrial production: (1980) percentage change, 7.0; 1981, 3.1; 1982 (forecast), 6.2.
Consumer prices: 1980 percentage change, 8.0; 1981, 4.9; 1982 (forecast), 4.2.
Balance of payments current account (\$ billion): 1980 percentage change: -10.7; 1981, -4.7.
Exchange rate: U.S. \$1 = Yen 259.70 (Sept. 9, 1982).

Contracts Aim At Minimizing Trade Friction

By Robert Y. Horiguchi

TOKYO — When a product begins to gather dust on the store shelves, retailers in Japan often turn to their supplier to take back the slow-moving article at the price for which they had bought it. And the supplier complies.

This is but one of the traditional commercial practices that puzzle foreign businessmen who are uninitiated in Japan's trading mores.

Some time ago, when Japanese electronic watches caused a sharp slump in the sales of a Swiss mechanical brand watch, their dealers throughout Japan called on the importer to abide by this age-old unwritten custom, known as *keppin*, by taking back part of their stock.

Because of the heavy financial burden that compliance would entail, the importer — a Swiss firm long established in Japan — turned to its banker for financial assistance.

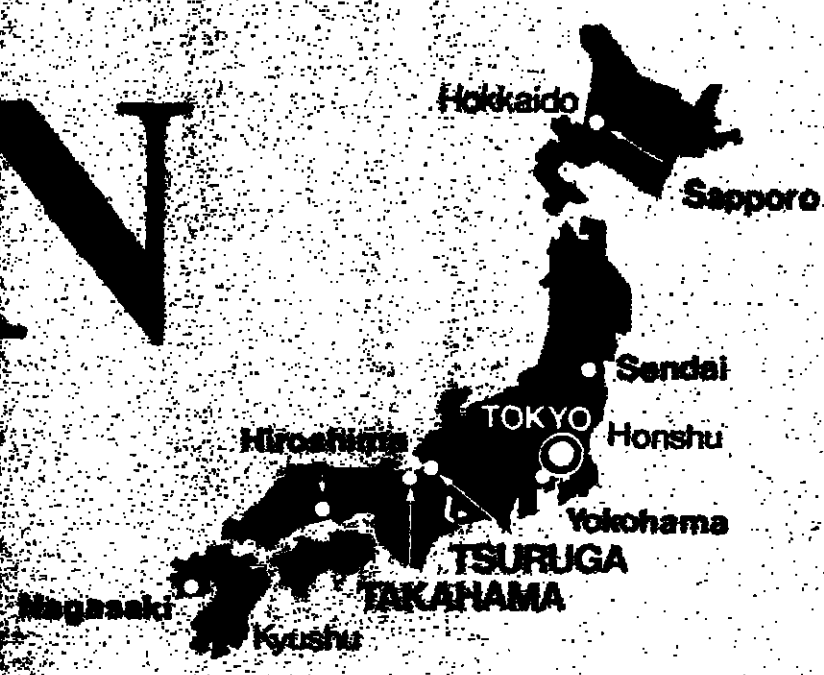
The latter agreed to provide the funds, thus enabling the importer to lighten the inventory load of his dealers by re-purchasing the watches and thereby retaining their good will. To have done otherwise would have signified forsaking a dealer network that had been patiently and arduously built up over three generations and abandoning the prospect of future sales.

Swiss watches have always been prized in Japan for their quality. Regarded as a status symbol, they remain one of the best-selling imported goods in spite of fierce competition from the Japanese watch industry.

Recalling this episode, the foreign banker noted:

(Continued on Page 7S)

INTERNATIONAL
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Technology: Gains Firm in Long View

Special to the IHT

TOKYO — When computer executives of Hitachi and Mitsubishi Electric Corp. were arrested in the United States a few months ago on charges of industrial espionage, the incident threatened to burst the bubble of Japan's new image.

After years of struggling to overcome a reputation for imitation and shoddiness, Japan has recently won a name as a first-rate and innovative industrial power. Now, the Hitachi and Mitsubishi scandal threatens to reverse that tide.

But those observers who hastened to judge Japan's technological level on the basis of the Hitachi-Mitsubishi case were drawing far too broad a conclusion. For the status of Japan's computer makers is a special case, a *casus generis*, which says little about the innovative capability of Japanese manufacturers in other areas.

Market Position

The dominance of the International Business Machines Corp., the company whose computer secrets Hitachi and Mitsubishi were allegedly stealing, is virtually unique among U.S. companies overseas. With \$30 billion in sales this year, IBM will surpass Japan's computer makers in revenues from that product. Only in Japan, where Fujitsu Ltd. do the Japanese makers have a major market position in the main frame computer business. But even Fujitsu's computer sales will total only \$1.5 billion this year.

More tellingly, because IBM has long been the worldwide leader in computers, its hardware and software have become the world standard. Several major companies have been created with the sole objective of producing machines that are compatible with IBM hardware, such as those produced by Hitachi. These so-called PCMs (plug compatible) producers must be careful to study each new move made by IBM, so that their new devices are not made instantly obsolete by IBM's latest actions.

Hitachi's alleged espionage of IBM secrets must, therefore, be seen as a unique case — more as a symbol of IBM's power in the computer business than a symbol of Japanese subservience throughout the world of industry.

The real question is whether the Japanese performance in other areas — in which the U.S. competition is not as powerful — bears out their rising reputation for innovation, or whether the Japanese continue to be mere copiers of technologies imported or stolen from overseas.

Major Imbalance

The statistics on this question are misleading and confusing. Japan's Science and Technology Agency's latest statistics show that, during fiscal 1980 (ending March 1981), Japanese firms imported \$1,439 billion worth of technology, up 14.2 percent from the year before. But during that period, Japanese industry exported only \$378 million worth of technology, up 10.5 percent. Those statistics seem to point to a major imbalance in Japan's technological trade, which in turn spells Japanese inferiority to foreign technology.

Overall, between 1950 and 1978, Japanese industry imported more than 32,000 industrial technologies through license agreements with foreign manufacturers, at a total cost of about \$9 billion.

But such figures fail to take account of the fact that trade in technology is usually done on the basis of long-term contracts. Thus, a large share of the imports of technology that appear in the 1980 and 1981 statistics really represent contracts signed more than a decade or so ago.

A more accurate reflection of Japan's growing strength in technological trade was made by Genet Gregory, professor in the department of comparative culture at Tokyo's Sophia University. "Japanese imports of technology continued to increase throughout the 1970s, and the cumulative balance of royalty payments continued to exceed receipts," he noted. "But during the last half of the 1970s, imports of technology rose by a modest 10.3 percent, while exports of technology shot up by 140 percent."

Mr. Gregory also said, "The most sensitive index of Japan's actual

(Continued on Page 7S)

Comparisons of Vital Statistics

Country (Year)	Population (1000)	Natural increase			Infant mortality rate (Per 1000 live births)	Expectation of life at birth	
		Per 1000 persons	Births	Deaths		Male	Female
JAPAN 1980	94 302	9.6	17.2	7.6	30.7	65.32	70.19
1965	99 209	11.4	18.6	7.1	18.5	67.74	72.92
1970	104 665	11.8	18.8	6.9	13.1	69.31	74.66
1975	111 940	10.8	17.1	6.3	10.0	71.73	76.89
1980	117 060	7.3	13.6	6.2	7.5	73.32	78.93
1981 ¹⁾	117 881	6.9	13.0	6.2	7.1
1980							
Canada	23 940	8.3	15.5	7.2	a)12.0	b)70.19	b)77.48
France	53 710	4.7	14.8	10.1	c) 9.8	d)69.73	d)77.85
Germany, F.R.	61 560	-1.5	10.0	11.5	a)14.7	e)69.36	e)76.07
Italy	57 040	1.5	11.2	9.7	c)15.3	f)68.97	f)74.88
U.K.	55 950	1.7	13.5	11.8	c)12.6	g)70.00	g)76.20
U.S.A.	227 640	7.3	16.2	8.9	c)13.0	j)70.20	a)77.80

1) Preliminary figures. a) 1978. b) 1975-1977. c) 1979. d) 1977. e) 1977-1979. f) 1970-1972. g) 1976-1978.

Statistical information in the supplement was supplied by the Office of the press monitor.

The Pipeline-Ban Issue

Loud Private Dissent Behind Tokyo's Quiet Frustration

TOKYO — If Western Europe took vigorous exception to President Reagan's reinforced embargo on the export to the Soviet Union of energy-related technology, Japan's reaction to the ban was one of muted official frustration coupled with loud grumbling in private.

Tokyo's posture, in contrast to the defiance of France, Italy, Britain and West Germany to the Washington fiat, can be attributed to three factors. First, Japan's economic stake affected by the ban was comparatively much smaller than that of Europe; it did not involve lucrative industrial export contracts. Second, Japan did not want to take action that could further aggravate its trade friction with the United States. Finally, it reflected the current parlous state of relations between Tokyo and Moscow.

Since 1976, Japan has been engaged in jointly developing with the Soviet Union oil and gas resources off the coast of Sakhalin. When completed in 1988, the project is due to supply about 1 percent of Japan's total energy needs. Prospecting at two sites in the Sea of Japan off the southern tip of Sakhalin has so far confirmed the existence of oil and gas deposits in the Chaivo geological structure, to the extent that commercial exploitation is scheduled to get underway there in 1986.

Drilling at the Odoptu structure was to be continued this summer with the Japanese providing the ocean drilling rig, the No. 2 Hakuryu (White Dragon), which was to work in tandem with the Soviet rig Oha.

Eight exploration wells have so far been drilled in the Odoptu structure at a cost of \$160 million to the Japanese partner in the project, the semi-public Sakhalin Oil Development Corp. (SODECO).

But with the June 19 Washington decision to strengthen the embargo, the Japanese were unable to honor their contractual commitment to continue boring. Indispensable electric bed detectors, worth about \$2 million, came within the scope of the ban, as they were U.S. property.

This confronted SODECO with the possibility of defaulting on its contract at a loss of about \$200 million.

On two previous occasions, this project has received exceptional licenses from U.S. government agencies for the export of the detectors on which Schlumberger Inc. has a monopoly. Japanese government leaders appeared confident that they could look forward to having Washington again extending leniency in applying the ban.

While attending the Versailles summit conference in June, Japanese Premier Zenko Suzuki brought up the subject of an exemption for the Sakhalin project during a private meeting he had

(Continued on Page 6S)

Deficit Overhang and an Undervalued Yen Cast Shades of Doubt on Economic Revival

TOKYO — Japan's Ministry of Finance has found that it cannot back market forces.

As the market rate on the government's 10-year bonds continued to slide, a syndicate of banks and security houses balked at underwriting a projected new issue unless the ministry raised the yield on the debt instruments.

This reluctance caused a one-month delay in the floating of the \$3.1-billion issue until the government agreed to a 0.5-percent increase in the coupon rate.

The new bonds will thus have a 8.274-percent yield to subscribers against the 7.811 percent of the previous issue made last December. This step brought with it a corresponding across-the-board rise in Japanese long-term interest rates in the face of a growing demand by a powerful deflationary lobby for a lowering in the cost of money so as to stimulate domestic demand in order to bring Japan out of a yearlong economic slump. The long-term prime rate has now gone up to 8.9 percent.

The real growth in Japan's gross

national product for the fiscal year ended on March 31 reached only 2.7 percent, against the more sanguine projections of government economists. It was the slowest growth pace in seven years. Few private-sector economists expect the current fiscal year's growth to exceed 3 percent — far below the official forecast of 5.2 percent.

A Slight Surplus

Throughout its years of rapid economic growth, from the early 1950s to the mid-1970s, Japan's budget was balanced or in slight surplus. Deficit spending came in 1975-1976 to tide over the effects of the oil crisis in spite of an injunction against such a practice contained in the Finance Act, which requires a balanced budget.

The deficit is now more than it was seven years ago. It is larger, both per capita and as a proportion of the GNP, than the deficit of any other highly industrialized country, with the exception of Canada.

During the last fiscal year ended on March 31, a deficit of more

than \$11 billion was recorded, largely due to lower-than-expected tax revenue. A shortfall of \$15 billion to \$19 billion is expected this fiscal year.

The government's debt now stands at \$315 billion.

As this deficit overhang casts a shadow on Japan's financial well-being, the continued weakness of the yen is starting to hurt the Japanese economy. Far from stimulating exports, which continue to be sluggish, the undervalued Japanese currency threatens to trigger inflation, further dampening the prospects of economic revival.

Foreign Sales Dip

In July, the wholesale price index went up 0.6 percent from June for the steepest month-to-month rise since May of last year. Much of the increase was attributed to an increase in import prices for oil and other raw materials. According to the Bank of Japan, prices for imports rose 2.3 percent in July from a month before.

Meanwhile, Japanese exports on a customs clearance basis dropped

12.2 percent in July from a year ago for the first double-digit decrease in six years and nine months, marking a sharp dip in foreign sales that have been showing a downturn since the beginning of the year.

The value of export letters of credit opened has fallen from the year-earlier level during every month since January. The decrease was steepest in July when it fell 7.3 percent. Export letters opened in June fell 5.3 percent from a year earlier.

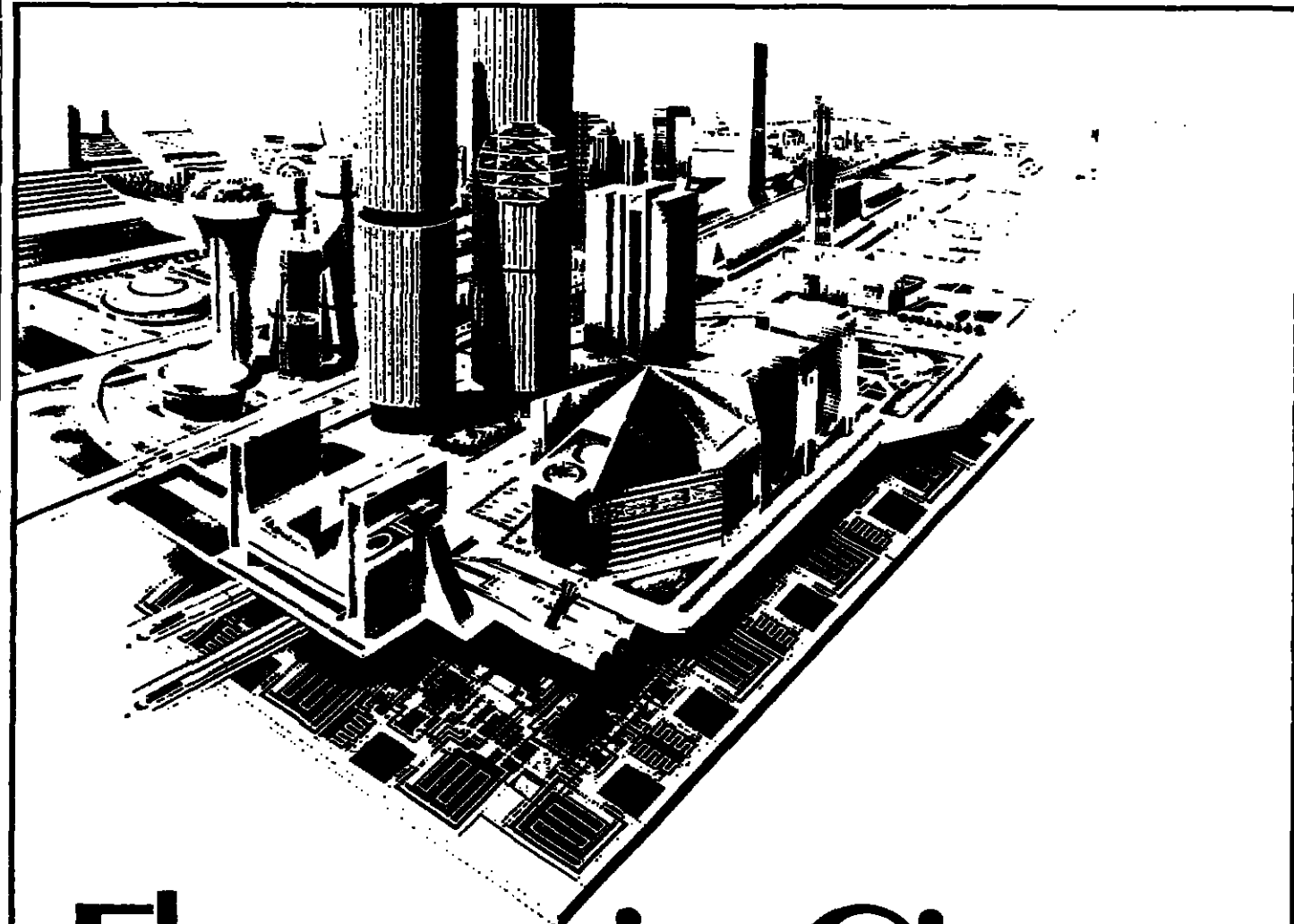
This has led to fears in government and trading circles that exports in 1982 may fall short of last year's level for the first time in 30 years.

Up to the present, however, inflation has remained at a low level. Wholesale prices for July, although rising, showed an increase of only 1.3 percent from a year ago and consumer prices for June, the last month for which official figures are available, remained stable at a year-to-year rate of 2.2 percent.

The five-year low recently recorded in the exchange value of the yen to the dollar has touched off a debate among some leading Japanese economists on the causes for the depreciation of their country's currency.

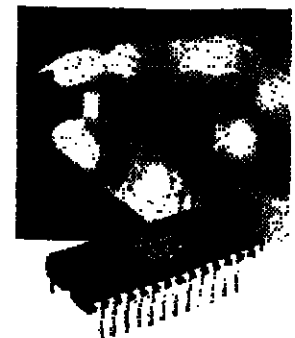
It has been the position of official financial experts, led by Bank of Japan Governor Haruo Mayekawa, that the wide spread between U.S. and Japanese interest rates was to blame for the yen's weakness. When the yen failed to react to the four successive lowerings of the U.S. prime rate between June and August, doubts began to be publicly expressed on the validity of this argument.

The contrary view is that the cause of the depreciation of the yen lies in flaws in the "fundamentals" for Japan's economic well-being. These are the economic growth rate, the unemployment



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Yokozuna Chiyonofuji, left, slams his opponent down to the clay ring with a powerful armthrow.



Wakanohana, the third grand champion, waves to his admirers outside the Kokugikan (National Sumo Arena) in Tokyo.

Sumo's National Cultural Appeal Transcends Centuries

Matches Flourish at Shrine and School Festivals, Draw Millions to Radio and Television

By Andy Adams

TOKYO — How can a 2,000-year-old sport like Sumo wrestling continue to appeal to the Japanese people century after century?

The answer is a complex one since Sumo attracts many different people for many different reasons. Every afternoon during the six annual grand Sumo tournaments, about 15,000 avid Japanese fans jam themselves into the cramped, four-man, straw-matted boxes and seats of the nation's arenas to experience first-hand the feudal pagantry and excitement of one of the world's oldest and most colorful sports. Millions more crowd around their television sets to watch the action on the semi-government NHK-TV, which presents the final two hours of a full, seven-hour day of Sumo on a nationwide, TV and radio hookup.

Huge Japanese wrestlers, who some think of as carrying on the Samurai tradition, struggle with each other for supremacy in Sumo's 15-day tournaments, but it is a spartan existence in which

only the strong survive. Millions of young boys idolize the grand champions and other high-ranking rikishi (wrestlers), while women and sports-minded men regard them as national heroes.

Any Japanese boy worth his salt has dreamed of becoming a Sumo grand champion at one time or another. From the smallest villages to the largest cities, Sumo flourishes in shrine festivals, school contests and amateur tournaments. All a boy needs is to put on a makeshift loin cloth and draw a large circle, 14 feet 10 inches in diameter, on the ground, and the Sumo match is ready to begin.

Taxi drivers and others confined to their cars and trucks during the late afternoon religiously tune in their radios to the two hours that Sumo is broadcast. Indeed if there is anything that can break the blind concentration of the work-dedicated Japanese it is Sumo — the ancient style of native wrestling that combines tradition, ritual and man-to-man combat in a unique way that few other sports do.

Sumo is not merely the national sport of Japan — it is the essence of Japan. Japanese at a Sumo tournament are more at ease, more themselves than at any other time or in any other place. Nowhere else is their friendliness and conviviality more evident. They are truly in their uniqueness as individuals by the way they shout for their particular favorites or exchange drinks with foreign fans in a neighboring box. Their love of tradition, respect for ritual and feel for history are everywhere apparent, as is their flair for creating spectacle.

Dr. Hitoshi Abe, a noted Japanese psychologist, has pointed out that the popularity of Sumo has been steadily increasing for the past several years, both with young people as well as their elders. "The rapid industrialization of Japanese society," he said, "creates a need for a psychological balance in life — homeostasis, in other words." Webster's dictionary defines it as a tendency toward maintenance of a relatively stable psychological condition of the individual with respect to contending drives, motiva-

tions and other psycho-dynamic forces.

"The picnic-like atmosphere of a day at the Sumo matches helps provide this balance," Dr. Abe adds. "It offers people a release or escape from the tensions and pressures of modern urban living. They can sit in their little box with nothing to worry about except who is going to win the next bout. Sumo gives Japanese a link with the past. Oldsters enjoy it because it reminds them of bygone days when life was simpler and more relaxed, while the younger people like it because it is part of the old Japan they never knew and now have a chance to participate in since the Sumo environment has changed very little over the centuries. Experiencing this unchanging environment of traditional Japan is very important for the Japanese people. It is not just a question of looking on, as in a Chamber (Samurai) movie. Rather, one becomes an actual part of the Sumo environment, which is not merely a re-creation of the past — it is the past continuing into the present, virtually unchanged."

Sumo gives the tradition-minded Japanese a keen sense of history dating back almost 2,000 years. Ancient records describe a mythological Sumo match between two gods, but the first real bout is said to have been fought in 32 B.C., when two of the country's strongest men battled each other to the death in a no-holds-barred contest. The Imperial Court in the Nara Period in the 8th century sponsored annual Sumo tournaments, and during the rise of the Samurai 500 years later, Sumo was converted into a battlefield martial art from which jujitsu — and eventually, judo — developed.

But it was not until the beginning of the 250-year-long Tokugawa Period (1616-1867) that Sumo was turned into a professional sport and then began to assume something akin to its present form. In the 300 years that have passed since Akashi was named the first Yokozuna, there have been only 58 grand champions.

Sumo also appeals to the religious feelings of the Japanese since, like so much of Japanese life, it has its roots in the native Shinto religion and court pagantry, with much of the ritual pomp and ceremony still retained today. The roof suspended over the ring by cables represents a Shinto shrine, Shinto priests bless the Dohyo (ring) on the day before the start of each tournament in a ceremony called the Dohyo Matsuri and the rikishi (wrestlers) themselves toss salt into the ring before each bout to symbolize purity and discipline.

When they stamp their feet onto the hard clay ring during the pre-bout ceremonies, it means they are trampling evil spirits underfoot. The zigzag-shaped paper streamers called Gohei that hang from the front of the Yokozuna's rope-belt are the same kind of paper streamers seen at Shinto shrines.

Many Japanese relish the pagantry, costumes and ritual of Sumo since it is almost as much a colorful spectacle as it is a sport. The daily entrance of the gladiators, the Dohyo-iri, is one of the most appealing moments of Sumo. Wearing elaborately designed, silk-embroidered aprons that extend to their ankles, the wrestlers in the two top divisions (there are six divisions totaling over 700 rikishi) are divided into east and west groups and form a circle up on the Dohyo (ring) as they are introduced to the spectators.

Resplendent Costumes

The grand champions, wearing their huge white linen rope-belts as well as the Gohei streamers over their Kesho-Mawashi aprons, per-

(Continued on Page 8S)

Suzuki Administration Heading Toward Record Postwar Stability

(Continued from Page 5S)

his party enjoys a stable majority in both houses. The conservatives have had a virtually unbroken hold on power since 1945, but seldom has their position been as secure as it is today.

Any political threat to the premier will come not from the opposition parties, who seem in constant disarray, but from his own Liberal Democrats.

Although public discussion of the subject is taboo among LDP members, there is much concern over what effect the verdict in the trial of former Premier Kakuei Tanaka, accused of accepting Lockheed bribe money, will have on the power balance among the LDP factions.

A verdict by a Tokyo district court is expected toward the end of the year, and the Japanese press, which has reported in detail the evidence unfavorable to Mr. Tanaka, openly predicts that he will be found guilty.

A guilty verdict would be a blow to the former premier, but the fact that he has been under suspicion ever since the scandal broke six years ago has failed to diminish his political influence. Although he resigned his LDP membership to avoid tainting the party, as an independent he still controls the largest LDP faction — thanks to which Mr. Suzuki remains in power.

Insiders say it was Mr. Tanaka's persuasiveness that was to a large extent responsible for the decision to extend the previous Diet session to end in August, instead of calling a special session in the fall at a time that would probably coincide with the verdict, providing the opposition with an arena in which to attack the former premier.

Textbook Crisis

Mr. Suzuki's supporters agree that a fall session would be undesirable, but their argument is that it would clash with his scheduled visit to China.

The visit is planned to mark the 10th anniversary of the restoration of Japanese-Chinese relations, which was negotiated when Mr. Tanaka was in office.

That plans are going ahead as scheduled is an obvious relief to Mr. Suzuki, who faced a major crisis when China protested against the reference in recently revised Japanese history textbooks to Japan's aggression in China as an "advance."

South Korea also protested strongly at what it said were Japanese attempts to whitewash this country's subjugation of Korea in the early 1900s.

After some initial hesitation, the LDP government backed down and, in an unprecedented move, promised to have the offending words deleted in the interests of historical accuracy.

The Tanaka faction has 109 members in the Diet. Mr. Tanaka's continuing influence is underscored by the fact that Mr. Suzuki named Susumu Nakai, a Tanaka lieutenant and himself a suspect in the Lockheed case, to the powerful post of party secretary-general. As such, Mr. Nakai has an important voice in deciding who will be approved as official party candidates and how election funds will be distributed.

The main factions against Mr. Suzuki include those led by Takeo Fukuda, a former premier, and by Toshio Komoto, who is director-general of the Economic Planning Agency. Intra-party harmony has al-

House of Representatives	
Party	Member
Total fixed seats	511
Liberal Democratic Party	287
Japan Socialist Party	104
Komei Party	34
Democratic Socialist Party	32
Japan Communist Party	29
New Liberal Club Democratic Federation	13
Independents	7
Vacancies	5

House of Councillors	
Party	Member
Total fixed seats	252
Liberal Democratic Party	136
Japan Socialist Party	47
Komei Party	27
Japan Communist Party	12
Democratic Socialist Party	11
New Statesman Club	7
Dai-nin Club	3
Ich-i-no-kai	3
Independents	3
Vacancies	3

ways depended on the distribution of cabinet posts relative to factional strength in postwar Japanese politics, but consciously or unconsciously, the selections have been working to Mr. Suzuki's advantage.

The Suzuki faction contends that the responsibility for Japan's economic problems should be shared by Mr. Komoto, as well as by the minister of international trade and industry — a member of the Fukuda faction.

The government's revenue shortfall in fiscal 1981 was around 2.7 trillion yen, and the deficit for this year is expected to soar to 6 trillion yen. Moreover, the economic growth rate for 1982, originally set at 5.2 percent, has been downgraded considerably since, with estimates now at around 2 percent.

But by world standards, the Japanese economy is in good health, and Mr. Suzuki is hardly likely to be replaced over economic issues. The question now is whether Mr. Suzuki can be stopped at all in his bid to retain power. His supporters are so confident that they predict it will not even be necessary to hold a party primary election to narrow down the presidential candidates. A primary requires at least four candidates, and no one else is a threat to Mr. Suzuki.

Pipeline: Tokyo's Quiet Frustration

(Continued from Page 5S)

with President Ronald Reagan.

Meeting with members of his delegation later, Mr. Suzuki gave them the impression that he had received the necessary assurances from Mr. Reagan for a special dispensation for the Sakhalin project.

Following up on Mr. Suzuki's top-level approach, Shintaro Abe, minister for International Trade and Industry, visited U.S. Ambassador Mike Mansfield in Tokyo early in June to obtain his support for an exemption. Mr. Mansfield reportedly recommended such a step to Washington.

When the Japanese officials learned that all these appeals had been of no avail and that the enlarged U.S. ban applied to all Soviet energy development, as well as to all pertinent equipment, Mr. Abe promptly shot off a letter to his U.S. counterpart expressing "disappointment after repeated requests" and contending that the embargo's effect was more prejudicial to Japan than to the Soviet Union. He declared that Japan would continue its efforts to complete the project as required by the SODECO contract with Moscow.

Dresser Industries in France and John Brown Engineering in Britain recently shipped compressors to the Soviet Union despite the U.S. embargo.

Foreign Minister Yoshio Sakuruchi also formally expressed his disappointment at the Washington action in a letter to Alexander M. Haig Jr., who was secretary of state at the time.

Moscow kept Tokyo in suspense for almost two months before revealing that it would not invoke the contract's default clause, which would have virtually scuttled the joint project.

SODECO's capital is provided by a number of large Japanese

trading companies and oil firms as well as by the government, at a 30-to-70 ratio. The largest private shareholder, with 8 percent of the outstanding stock, is C. Itoh & Co. Others, each with about 1.6 percent equity, are the Marubeni, Sumitomo and Nissho-Iwai trading houses, the oil importer Idemitsu Kosan and the Kakyushu Oil Corp.

On July 28, SODECO's president, Sadao Kobayashi, announced that he had reached agreement with Moscow that the Soviet rig Oha would be used this year to drill only two exploratory wells in the southern part of the Odopto structure instead of the five originally scheduled. Because of the harsh weather in the area, the working season is only three months.

Next year, Mr. Kobayashi said, SODECO would try to charter a rig that would be exempt from the embargo from among the 670 rigs in operation throughout the world in time for the start of drilling operations in July.

Oil experts in Tokyo were quick to point out that Mr. Kobayashi will find it difficult to locate such a rig as most of these installations depend on U.S. technology and equipment.

Moscow's acquiescence to carry on the Sakhalin project was interpreted in Tokyo diplomatic circles as evidence that the Kremlin wanted to exploit the embargo issue in a way it would benefit the standing objective of the Soviet Union — to split Japan from the United States.

This view gained wider credence when Soviet Trade Minister Nikolai Patolichev, hard on the heels of Moscow's agreement to continue the Sakhalin project, proposed the holding of a business cooperation meeting with Japan.

Mr. Patolichev addressed his bid to Shigeo Nagano, the influential

president of the Japan Chamber of Commerce and Industry, who is chairman of the Japan-Soviet Business Cooperation Committee.

Previous gatherings of this kind, held since 1976, have stalled because of wide political differences between Tokyo and Moscow that have plunged the relations between the two countries to a low level. Principal among these conflicts is the issue of the Northern Islands and the Japanese economic sanctions against the Soviet Union over the Afghanistan and Polish crises.

The Northern Islands are four small islands located off Hokkaido that were seized by the Soviet Union in World War II shortly after Japan's surrender in 1945.

The Japanese hold that these islands have always been Japanese territory and were never part of the Kurile Islands chain that Russia ceded to Japan in 1905.

Japanese sanctions imposed following the 1979 Soviet intervention in Afghanistan restricted exports of capital machinery and high technology as well as restricting credit on a case-by-case approval basis. This promptly brought about a contraction of Soviet-Japanese trade. In 1981, this trade amounted to 5.28 percent of the Soviet Union's total trade. Steel, machinery and chemicals accounted for almost 90 percent of the Japanese exports, while imports from the Soviet Union were primarily timber, non-ferrous metals, cotton and wool. In addition, the Soviet Union sold Japan an estimated \$300 million in gold.

Soviet coal deliveries to Japan were estimated at 1.2 million tons in 1981, a 50-percent reduction since 1979.

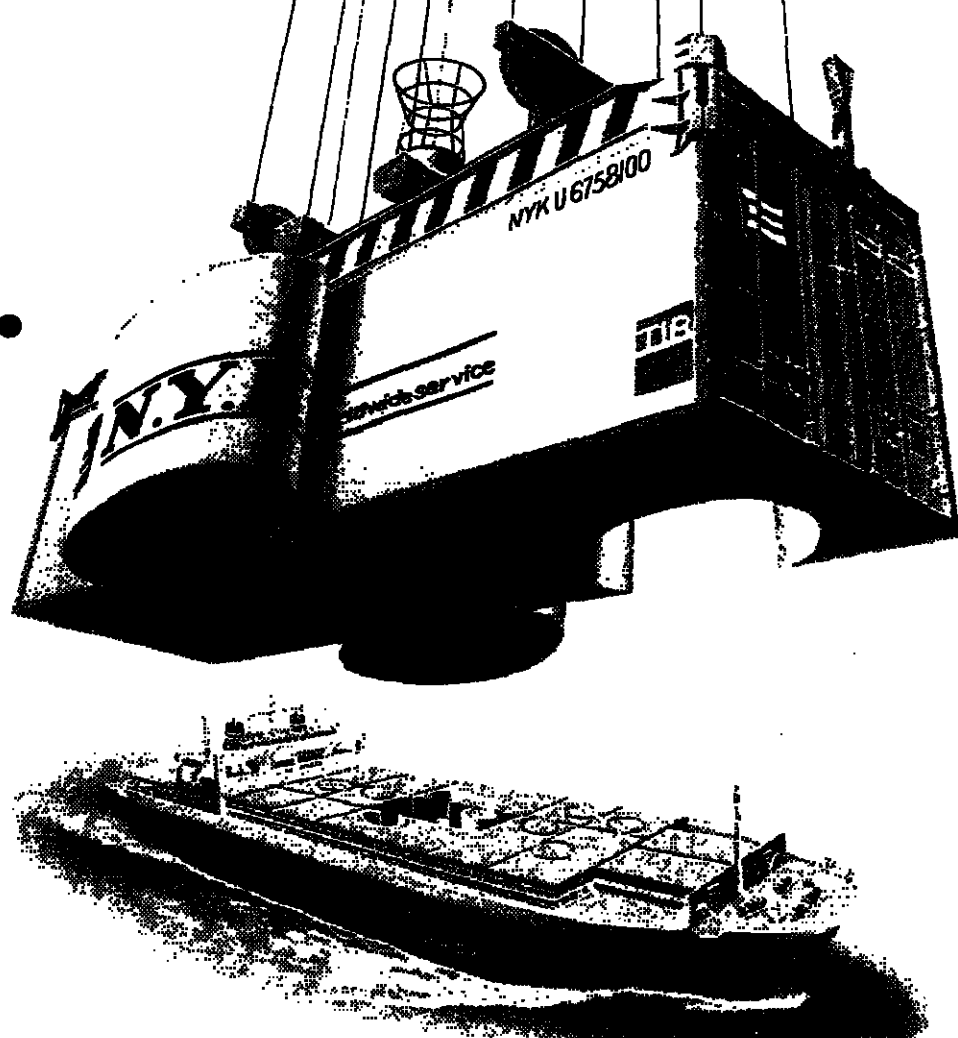
In comparison, Chinese-Japanese trade in 1981 amounted to \$10.4 billion, nearly double the trade between Japan the Soviet Union.

— ROBERT Y. HORIGUCHI

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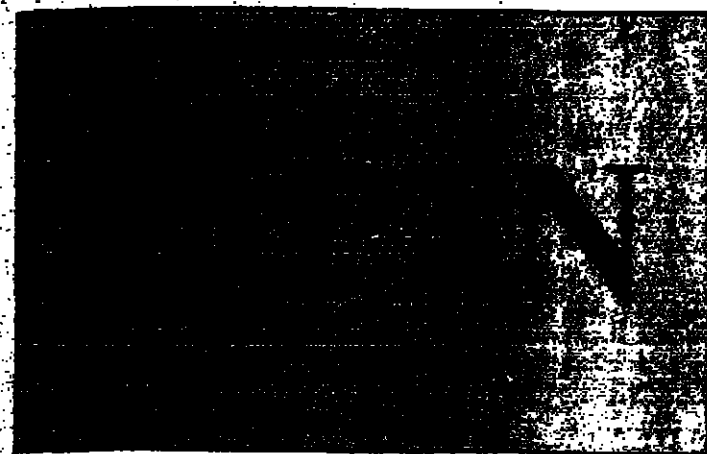
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Technology: Gains Solid In Long-Term Perspective

(Continued from Page 55)

technological trade position is the ratio of receipts to payments for new licenses. And by that index, Japan became a net exporter of technology as early as 1972, when its receipts were 25-percent larger than its payments, under new contracts. By 1977, Japan's receipts, through new contracts, more than doubled its expenditures.

According to a survey by the Nihon Keizai Shimbun, in 1980, Japanese companies listed on the Tokyo Stock Exchange were earning \$425 million annually on technology exports while paying only \$350 million a year for imported technology.

To be sure, even these statistics do not indicate that Japan has surpassed—or even reached—the level of U.S. or European industry in every industrial area. Those areas in which the Japanese continue to be net importers of technology include chemicals, metallurgy, nuclear electric power plants, large thermal-steam plant boilers, heavy-duty machinery and computer-related equipment.

But a spate of recent contracts shows that individual companies within even these areas are able to earn substantial royalties by selling proprietary technologies to U.S. and European companies. Thus, Sharp Corp. of Osaka recently signed its first deal to supply Rockwell Corp. with integrated circuit technology; Toshiba signed a similar deal with Zylco Corp.; Sumitomo Metal is supplying welded pipe technology to both U.S. Steel and Jones and Laughlin; Hitachi and Kanematsu Goshu are selling elevator knowhow to Canton Elevator Co., and Nihon Kayaku is exporting acrylic acid production technology of the U.S. subsidiary of West Germany's BASF.

One misleading factor in this analysis is that a positive balance in technology trade is not necessarily a reflection of commercial success. Thus, last year, Japan's automobile industry, now the world's largest—nevertheless continued to import more technology than it exported to the world. In fiscal 1980, Japanese auto companies sold more than \$4 billion worth of technology, in 169 separate contracts, while importing more than 20 percent more in dollar terms in 258 contracts.

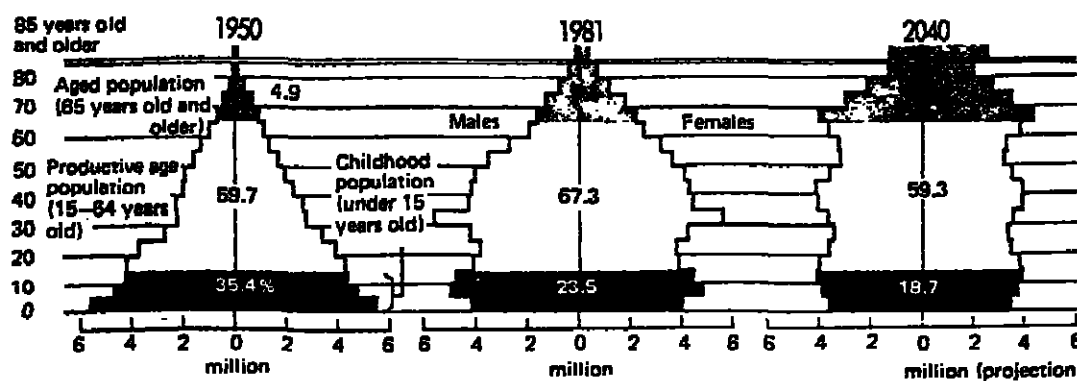
While such figures include carryovers of some long-term contracts, even those contracts signed during that year show a net deficit for the Japanese makers. Moreover, according to the Science and Technology Agency, the range of Japan's automobile technology imports continues to extend widely and deeply. It includes supercharger technology from Bendix Corp. for Jidosha Kiki; fuel injector technology for auto parts maker Kiesel Kiki, from West Germany's Robert Bosch; front-wheel suspension technology from Bayerische Motoren Werke for Mitsubishi Motors; and interior and exterior furnishing designs for Honda Motor from Pininfarina of Italy. Even the beleaguered U.S. automobile industry got into the act, with General Motors—which owns 34.2 percent of Isuzu Motor—supplying electronic engine control technology to its Japanese cousin.

No wonder experts in Japanese industry are reluctant to consider innovation the most important benchmark in their search for industrial superiority over the West. So long as it can continue to import significant portions of the technology it requires, yet still offer products that are more attractive and price-competitive than those of its competitors, Japanese industry will not have to be unduly concerned about the level of its innovation.

Nevertheless, there are some powerful reasons for Japan's strong will to become known as a nation of innovators. One factor is simply that, as Japanese industry attains international competitiveness—or superiority—in so many product lines, it can no longer expect to wait until other engineers develop products. It will no longer be able to purchase the technologies that take its products one step further, if there are no foreign companies ahead of the Japanese standard.

—ROBERT Y. HORIGUCHI

Japan's Population Pyramid



Increasing Longevity Could Upset Economy Within Decades

Special to the IHT

TOKYO — Japan's declining birth rate and increasing longevity mean that young people in the future may find the aged putting an increasingly painful burden on their wallets.

Japan's society is "graying" at an unprecedented rate—faster than any of the other industrialized nations—and projections show that in the 21st century it may be the advanced nation with the highest proportion of old people. The aging trend started after World War II as improved medical care and diet reduced the infant mortality rate and added years to the average life span of the Japanese. During this time, they also started limiting the size of their families, primarily because of urbanization and the soaring costs of rearing—and especially educating—several children. Lower birth and fertility rates will

keep Japan's annual population growth low—it was 0.7 percent in 1981, the lowest rate in postwar history—but the overall number of people at the turn of the century is expected to swell to 135 million, up 15.5 percent from the present 117.9 million. Forty-five percent of the present population lives in three metropolitan areas—Tokyo, Osaka and Nagoya—making up 10 percent of the land mass.

Older employees will increase and, as they retire, younger employees will find their paychecks shrinking because of increased social welfare deductions. In 1980, an average of 6.8 workers supported each elderly person, but in 2015 the number will drop to 2.6 employees, according to an economist, Kaoru Yoshikawa, in a government report entitled "The Maturation of the Social Security System." Compared with other industrialized nations, Japan

has spent less of its national income on welfare for the elderly because of the present, comparatively low proportion of aged people. Demand for social services has been less because of the high rate of personal savings and the tradition of home care for the aged.

The Nihon University Population Research Center estimated, however, that social security expenses would climb to 48.5 percent of the national income in 2025, compared with the 1980 rate of 12.5 percent. The tax burden, including social security deductions, would soar to 63 percent from 31.1 percent, it said. Nationwide, 68 percent of elderly Japanese now live with their married children—generally the eldest son's family—but increased urbanization makes it harder for several generations to crowd together under one apartment roof, said Mariko Shu-

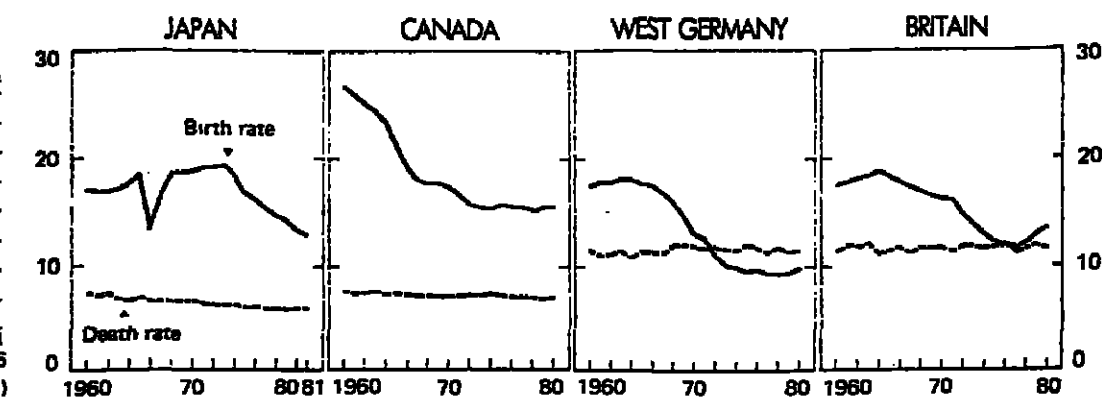
gahara Bando, deputy counselor in the Prime Minister's Policy Office for the Aged. Also, many people live on for several decades after retirement, further straining their children's resources, she said. A 1981 survey by the Ministry of Health and Welfare put the average life expectancy for Japanese males at 73.8 years—the world's highest—and for females at 79.13, slightly behind Iceland's 79.7 years.

Strong family ties and a Confucian sense of duty will keep the number of extended families high, but more must be done to help those who cannot afford the extra financial burden or provide adequate care for the ill or bedridden, Mrs. Bando said. Government estimates showed that almost half a million elderly Japanese now needed professional care, but in 1980, the 1,031 government-supervised nursing homes could accommodate

only 80,385 people. Another 1,150 facilities for the more physically able cared for 82,994, and the number of bedridden elderly Japanese will surpass 1 million in the year 2000, according to Mr. Yoshikawa. In addition to increased facilities, more home helpers are needed to assist the elderly living alone, Mrs. Bando said. The national government, however, suffering from huge deficits, "cannot provide too much support to subsidize facilities and home helpers," she said. Since the government publicly supports the tradition of home care for the elderly, many workers are concerned about their old age, and young people strive to enter prominent companies to gain the security of lifetime employment.

"In that sense, young workers are already aged; worried about the future, they grow conservative," a 28-year-old trading company employee said.

Birth and Death Rates by Country per 1,000 Persons



Contracts Bridge Cultural Differences to Minimize Trade Friction

(Continued from Page 55)

"The Western way of thinking that once goods are sold they are sold does not hold in Japan. Here the quality of a relationship between supplier and his customers is measured more in terms of human association than on conditions of price or payment."

"Take for instance, a contract. We, in the West, look upon it as a document where each party sets down his respective rights and obligations. In other words, a contract says, 'I will do this and you will do that and no more.' It is an agreement, so to speak, between adversaries. In Japan on the contrary, a contract is considered to be the beginning of a partnership between the signatories and the longer this partnership lasts, the better. For to the Japanese a *negai tsukiai*—long relationship—is a key element in the conduct of business."

It is also customary in Japan for wholesalers to determine the rate of rebates they grant retailers, according to the amount of business they get from each dealer.

Such a practice is strictly banned in the United States on the grounds that it constitutes discriminatory pricing.

If the variance in concepts on the nature of a contract and its binding power can be traced to Confucian teachings, there are a myriad Japanese trading customs that originated in the 17th century when the Shogun relegated merchants to the lowest rung on the social ladder.

Cultural differences such as these are likely to be increasingly highlighted as Japan seeks to increase imports and attract foreign investors so as to lessen trade friction with the European Community and the United States.

On Jan. 31, the Tokyo government announced steps designed to eliminate 67 so-called non-tariff barriers, and an across-the-board accelerated reduc-

tion of tariff rates on 1,653 import items, two years ahead of the schedule established under the Tokyo Round of the General Agreement on Tariffs and Trade.

It then came up on May 28 with a second "package" of measures to open up the Japanese market. These call for the elimination by March 31, 1983, of import tariffs on 96 items, and tariff reductions on 119 items; an improvement of import testing procedures; a relaxation of import restrictions; an expansion of imports; the improvement of the distribution system and business practices; the liberalization of trade in services and the development of high technology.

This announcement was emphasized with a statement by Premier Zenko Suzuki calling on officialdom and private business "to be even more clear and forthcoming in taking an attitude of extending a welcome to foreign manufactured goods and investments and not to discriminate against them."

These series of actions prompted a Japanese teacher of international business at two Paris universities to exclaim that "Japan is the only country in the world and in history that has deployed so much of its resources to help foreign products penetrate its home market."

Masaru Yoshimori added that "the Japanese feel these efforts are hardly taken note of, much less appreciated, by their trade partners and they doubt their significance when foreign firms do not seem to have any genuine motivation to tackle the Japanese market."

Diametrically opposite views were expressed, however, by U.S. officials following a recent four-day working level meeting with their Japanese counterparts.

Assistant U.S. trade representative James Murphy said that the Japanese market liberalization measures

have had little tangible effect, adding that all Japan had done was to spell out its plans to open its market wider to foreign-made products.

Clyde Prestowitz, U.S. deputy assistant secretary of commerce, remarked that he had "not seen many concrete demonstrations" of the welcoming attitude to foreign products called for by Premier Suzuki.

Mr. Prestowitz singled out as unfair the existence in Japan of so-called depressed industry cartels, import associations and industrial groupings, which, he contended, violated Japanese anti-monopoly laws.

He cited a report of the Japanese Fair Trade Commission that listed 489 legal cartels in Japan in fiscal 1981.

The Ministry of International Trade and Industry explained that such authorized cartels are designed to help structurally weak Japanese industries to restructure themselves by shedding their excess production capacities. It said that such industrial adjustments contribute to an expansion of Japanese imports of foreign manufactured products.

Mr. Prestowitz's observation on the Japanese industrial groups came as the Fair Trade Commission disclosed that it would start investigating whether or not these vertical industrial groups and the major Japanese trading houses were engaging in restrictive trade practices in violation of OECD rules.

The probe targets, the Fair Trade Commission said, were the Mitsui, Mitsubishi, Sumitomo, Sanwa, Dai-Ichi Kangyo groups that have banks of the same name at their apex and the Fuyo group headed by the Fuyo Bank.

Also to be investigated are the operations of the six major trading companies—Mitsui, Mitsubishi, Nishio-Iwai, Marubeni, C. Itoh and Sumitomo. The commission said that it would seek to find out whether these groups and trading houses were delib-

erately avoiding to deal in imported products and according specially low prices and favorable terms of payment to specific wholesalers who had close financial relations with them.

To do this, the commission will seek from the organizations being investigated information detailing the quantities of imported manufactured goods they handle, the extent of their investments in wholesalers and the amount of intra-group business.

The commission has so far made a study of the distribution channels of imported motor vehicles and medical equipment.

Lawrence F. Snowden, president of the American Chamber of Commerce in Japan, had earlier publicly complained that Japanese banks, manufacturers, trading houses, warehouses and transport companies had such a close relationship that it was extremely difficult for foreign products to find their way into the Japanese distribution channels.

The FTC also has announced that it was looking into business customs such as granting an exclusive territory to a wholesaler and appointing a sole agent, which, it said, were "similar in character" to unfair trade practices. It has already carried out investigations into the activities of sole agents for imported motorcycles, chocolates and electric razors.

Foreign businessmen complain that Japanese importers tend to use the foreign image to fix very high prices.

"The result," one of them said, "is perhaps a very prestigious image for the product but also a low import volume, very limited distribution, high margin and a retail price high enough to invite copy-cats into the market."

The proclivity of Japanese manufacturers to adopt ideas and products coming from abroad before importers can get too far ahead has also given rise to

(Continued on Page 135)

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New Films: Another View of History

By James Bailey

TOKYO — On Singapore, British troops waving a white flag lure Japanese soldiers into an ambush.

On Saipan, a Japanese soldier stares in horror as an American soldier and his girlfriend laugh and run up and down a beach, tossing a human skull back and forth.

In the Philippines, a judge at a war crimes tribunal tells the Japanese defendants: "Japanese soldiers are all murderers. All Japanese deserve to die."

All the above are scenes from "Dai Nippon Teikoku" ("The Imperial Japanese Empire"), a three-hour Japanese film claiming to "vividly reveal the untold story of World War II in the Pacific."

One of the most expensive Japanese films ever made (with a budget of about \$7 million), it is the latest — although almost certainly not the last — in a spate of local productions about this country's role in World War II.

Although Japan formally renounces war in its constitution and has difficulty maintaining manpower levels in the three branches of its all-volunteer Self-Defense Forces, this avowed pacifist nation has proved extremely receptive to recent cinematic depictions of the conflict that resulted in the deaths of 3 million of its citizens.

The domestic production earning the most money here last year was "Rengo Kantai" ("The Assembled Fleet"), a big-budget, all-star re-creation of the Imperial Japanese Navy's exploit from Pearl Harbor to the Battle of Midway.

In addition to "Dai Nippon Teikoku," this year has seen the release of two films about World War II to celebrate the 50th anniversary of Toho, Japan's largest studio: "Minami Jijishi" ("Southern Cross"), an Australian-Japanese co-production concerning the fall of Singapore, and "Himeyuri No To" ("Tower of the Lilies"), a remake of a sentimental 1953 movie about high-school students who served as combat nurses during the battle of Okinawa.

Director Keisuke Kinoshita is scheduled to begin shooting "Onnatachi No Senjo" ("Women's Battlefield") later this year. And for those tired of refiguring yesterday's wars, Toei Studios will release next January "Kinnirai Senso 198X" ("Future War 198X"), an animated feature depicting a future superpower holocaust.

Box-office statistics during the last several years confirm that films about war are very successful.

Shintoho Studio was saved from financial collapse in 1957 with the release of "Meiji Ten-

no No Nichi-Ro Daisensei" ("The Emperor Meiji and the Great Russo-Japanese War") — featuring a benevolent Emperor Meiji eating the same food as his soldiers — which earned \$1.3 million and was seen by 8 million people, setting an attendance record for a Japanese film. Toei virtually duplicated this film in 1980 film "Ni Hyaku San Kuchi" (which refers to Hill No. 203, the Russian position the Japanese suffered the greatest losses in taking), earning \$7.9 million, or nearly twice as much as the studio's second biggest money-making film that year (also, not coincidentally, a war film). The first Japanese film to gross 2.5 billion yen — Toho's 1977 release, "Hakkodasan" ("Mt. Hakkoda") — was based on a true story of military preparations in 1902 for war with Russia.

Of the films about World War II released this year and last, Hiroshi Mikami, a psychologist, opines that they are "pieces of nostalgia to the middle-aged, while today's youth, who haven't yet developed the habit of reading books, rely on them for history." Nearly three-quarters of the filmmakers in this country are under the age of 20.

Whoever said that history is written by the victors obviously never read the screenplays for "Himeyuri No To," "Minami Jijishi" and "Dai Nippon Teikoku."

To judge by the evidence of "Himeyuri No To," the battle for Okinawa resulted in not a single American casualty. "Minami Jijishi" excuses what John Toland, the historian, termed the "murder" of 5,000 Singaporean Chinese, as to quote from a publicity handout for the film, being "motivated by a sense of threat of the Chinese guerrillas."

"Dai Nippon Teikoku," condemned in both the Chinese and North Korean press, deals not at all with events in Manchuria and Korea, with the result that, as one critic noted, local audiences have not a clue as to why "heroic, innocent Japanese" are eventually made to suffer at the "hands of swarming, gun-chewing foreigners."

While filmmakers such as France's Marcel Ophüls and Italy's Lina Wertmüller have attempted to deal cinematically with the question of their country's wartime guilt, in Japan the subject is virtually a closed one. The dropping of the atomic bomb firmly solidified the Japanese perception of themselves as victims, rather than aggressors, and studies there have done little to disabuse the filmgoing public of this notion.

Anti-war films, which began appearing in 1950, criticized the military less for killing innocent Asians than for getting so many young Japanese men killed.

Within a few years, wrote Joseph Anderson and Donald Richie in their book "The Japanese Film," "the Japanese treatment of soldiers and sailors in films split into two largely political directions."

The first affirmed that the military... were really anti-war and peace lovers at heart. The second suggested that the military knew what it was doing, that the aim had been the greater glory of the nation, and that the tales of wartime horror had been greatly exaggerated."

The authors go on to note that "few Japanese pictures" brought up the "question of responsibility for the war."

To perpetuate the Japanese-as-victims mythology, filmmakers in the mid-1950s began turning the Occupation, characterized by William Forbitt in "Japan Today" as "probably the most singularly constructive occupation of a conquered nation in history" and governed by an "enlightened humanity" — into a hell on Earth.

The practice continues: In the 1977 box-office hit, "Ningen No Shomei" ("Proof of the Man"), which co-starred Oscar winners George Kennedy and Broderick Crawford, a Japanese man attempting to protect a Japanese woman from rape by Occupation soldiers is stomped to death and his lifeless body trampled upon — all this in front of his horrified son.

The oft self-serving picture of Japan that emerges from its war films is but a manifestation of a national characteristic perhaps best described by historian Barbara Tuchman, writing nearly half a century ago in "Foreign Affairs" magazine of Japan's rationale for its behavior in Manchuria: "Unlike an individual, a nation cannot admit itself in error, so Japan's only answer has been to tell herself that her judges are wrong and she is right. To strengthen this contention, she has built up the belief that she acts from the purest of motives, which her fellow nations willfully misunderstand."

To be sure, not all Japanese are overjoyed at the release of these war films.

Toei Studios, responsible for "Dai Nippon Teikoku" and the coming "Kinnirai Senso 198X," has been picketed by its own employees.

Director Yoji Yamada, whose family films are consistent successes, has been joined by several prominent intellectuals in his public condemnation of the on-screen glorification of war.

However, if past precedent is any indication, these and others voices of protest are likely to be drowned by the noise of merrily jingling cash registers.

Labor Relations: A Fluid, Evolving Entity

The writer is a doctoral candidate in political science at Columbia University. He was recently in Japan as a Japan Foundation fellow doing research on Japanese labor unions and politics. This article has been reprinted with the permission of The Japan Times.

By Michael S. Baker

IN EXAMINING Japan's remarkable postwar economic success, considerable attention has been focused on the unusual system of labor relations in Japanese enterprises. All too often a simple static view of this system has led to misconceptions.

To comprehend the system's role in postwar Japan, it is necessary to recognize its fluidity and constant development over the 40-year period, as well as its relationship to the economic and political structure that exists outside the shopfloor.

The postwar Japanese labor relations system has been based on three things: enterprise unions (*kigyobetsu kumiai*), "lifetime" or career employment (*shushin koyo*) and a wage and promotion system linked to seniority (*nenko joretsu*). All three were established during a short period of labor strength during the period 1945-1949. Unions were founded overnight to cope with the collapse of authority at both government and management levels and the establishment of decentralized, ad hoc production systems in the midst of economic devastation.

Power Shifts
The end of this period saw a shift in power to management, with the fall of Japan's Socialist Party-supported government, a more negative attitude toward the unions by the occupation authorities, the initiation of the deflationary (and recessionary) Dodge plan, and the use of the purge policy to remove many leftist union officials.

This shift in power reduced the strength, but not the opposition, of private-sector union members. The first change in their attitudes could be seen in 1955 in the shift by the new leadership of the General Council of Trade Unions in Japan (*Sohyo*) to a greater focus on wage demands, including the initiation of the *shunto* wage-bargaining system. This increased concentration on economic demands began to overshadow union political objectives as the Japanese economy maintained high growth.

Another important change in 1955 was the establishment of the Japan Productivity Center and the offer of aid from the United States to management officials interested in "rationalizing" their labor system during a period of high invest-

ment in new equipment. This was done not by destroying the main elements of the system in an attempt at "Americanization," but rather by further developing the structure by centralizing production planning, expanding supervisory control, offering benefits and cooperation unions and by integrating workers' goals with those of the company through complex training, promotion and wage systems.

Finally, 1955 saw the establishment of the Liberal Democratic Party (LDP) and its dominance of government policy-making through its Diet or parliamentary majority, which continues to the present.

Joint Goals

Early in the 1960s, the changes that began in 1955 were having a clear impact on the organization and behavior of the union movement in the private sector. The ill-fated Miki coal mine strike and the failure of the Anpo demonstrations to stop the U.S.-Japan Security Treaty mark the turn of organized labor in the private sector

The postwar Japanese labor relations system has been based on three things: enterprise unions (kigyobetsu kumiai), "lifetime" or career employment (shushin koyo) and a wage and promotion system linked to seniority (nenko joretsu).

toward a policy of cooperating with management in establishing and achieving joint union-company economic goals. The successful competition of the enterprise became central to ensuring workers' goals of job security and high wages.

In the same way that the shift in the economic and political environment between 1945 and 1955 brought change in the labor relations system, the recent transition from high economic growth to post-oil crisis instability is challenging the existing system. In particular, the security and economic benefits workers have received under the system of the 1960s have been rocked by inflation, recession, the aging of the workforce, and environmental and trade friction problems not easily solved at the enterprise level.

With these problems has come a new interest in national policy on the part of both unions and management. Traditionally, both have

participated in the political system through organizational ties to politicians and political parties.

The dependence of the LDP on the support of big business is well known, as is the close connection between some unions and opposition parties. Private-sector unions have been notably less successful in this activity. In the 1980 Lower House elections, the 54 successful candidates (of all parties) from public unions were matched by only 36 from private-sector unions, despite the latter's almost 3-10-1 edge in membership.

Union Role

A 1978 survey of a large number of public and private-sector unions by the *Rodo Chosa Kyogikai* (Labor Survey Association) found that among private-sector union members there was a high level of interest in national economic policy and a consensus that the union should play an active role in influencing such policy.

This attitude was not simply translated into support for a political party, however, as an average of unionists did not support any

of policies than around the problem of party support that is enmeshed in historical and ideological disputes. A second problem for the party unions is the necessity of forming an effective alternative coalition in opposition to the LDP majority — in the parliamentary system, a dominant party can largely monopolize the policy-making machinery.

Direct Influence

The unions have established several means of bypassing the parties to directly influence the government. They have expanded their participation through the traditional channels of the Diet, legislative councils established by various ministries that study concrete problems and can influence the drawing up of new laws long before they reach consideration in the Diet-controlled Diet.

A new channel is the *Sangyo Rodo Komitai* (Industry-Labor Council), established by this Cabinet in 1970 to create a forum for the exchange of opinion and creation of consensus among labor and management leaders and knowledgeable third parties. This group meets regularly with the labor minister, the chief of the economic planning agency, other ministry officials and even the premier minister. If the group reaches a consensus concerning a policy, its views are seriously considered by the cabinet.

Finally, the post-1973 period saw the creation of the *Seisaku Shushin Rodo Kaigi* (Council of Unions for Policy Promotion) by 16 major private sector unions in 1975, and its steady expansion in size and influence. This organization has been active in meeting with government officials, party officials (and the group of Diet members affiliated with member unions) and management organizations to press their policy views.

Perhaps more importantly, this group has tried to forge a consensus on policy among private-sector unions and has been active — even central — in the recent movement to establish a common front among them. Its success in this activity will have an important impact on the ability of Japan's enterprise unions to overcome their organizational limitations in playing an active role in the Japanese political system.

While important elements of Japanese labor-management relations have continued throughout the postwar period, there has been significant development of the system in response to its changing environment. As the system itself has changed, it has had a reciprocal impact in shaping the activity of both labor and management in the surrounding economic and political system.

Sumo's National Cultural Appeal Transcends Centuries

(Continued from Page 6S)

form their own pre-bout ceremony escorted by the chief referee in a resplendent costume of the Ashikaga nobles of six centuries ago, a sword-bearer and herald, as well as a ring attendant called a Yobidashi, who is dressed in Tokugawa Period pantaloons. At the conclusion of a final bout of the day, a traditional bow-twirling ceremony, the Yumitori-Shiki, is performed, while outside of the arena on a rickety, 60-foot-high scaffolding tower one of the Yobidashi beats on a drum as the spectators stream out of the arena.

Needless to say, many fans are interested in the sports side of Sumo. Some are attracted by the quick, decisive results of the bouts, which average only about 30 seconds in length. Unlike amateur wrestling and such martial arts as

doubt about the winner, although some close bouts are replayed. Others enjoy the excitement generated by the fact that there are no weight classes in Sumo as there are in judo, boxing and wrestling. A huge *rikishi* like Takamiyama, 6 foot 3 inches and weighing 440 pounds, is sometimes matched against the little Tochisurugi, 5 foot 7 inches and weighing 230 pounds — and more often than not loses to him.

Sumo aficionados concentrate on the skill of the *rikishi*, especially in bouts that pit a powerful pusher and thruster against a skilled belt technician. There are no fewer than 70 different techniques, including arm, leg, hand and hip throws as well as pushing, pulling, twisting, tripping, slapping, thrusting and lifting tactics. The explosive power of two powerful Sumo

other in a matter of seconds within a ring measuring less than 15 feet in diameter is breathtaking.

Sumo is not only tremendously popular with the Japanese, it also has a growing army of fans among the foreign community in Japan as well as solid support in Hawaii. Sumo World, the only English-language magazine devoted to Sumo, has readers in more than 30 countries around the world. All of the English-language newspapers in Tokyo report the daily results of the bouts and half of them have their own Sumo correspondent, while the U.S. military's Far East Network radio station in conjunction with NHK-TV broadcasts the play-by-play action of the weekend bouts live from the Kokugikan (National Sumo Arena) during the three annual tournaments held in Tokyo.

Handsome 27-year old Chiyonofuji is now bringing new popularity to the ancient sport. Promoted to *Yokozuna*, grand champion, a year ago, the muscular *rikishi* is a national hero that ranks alongside the most popular of the baseball stars and other sports luminaries. He has already won six tourney championships and is now challenging Kitanomaru for supremacy in Sumo even though he is about 100 pounds lighter than his 29-year-old

held in Osaka, Nagoya and Fukuoka. Growing U.S. interest prompted NBC to sign an annual contract with the Japan Sumo Association for videotape showings of the key bouts from one of the Tokyo tournaments. CBS, the BBC and other television and radio networks in Europe and America have also sent camera and sound crews to Japan to cover Sumo.

Handsome 27-year old Chiyonofuji is now bringing new popularity to the ancient sport. Promoted to *Yokozuna*, grand champion, a year ago, the muscular *rikishi* is a national hero that ranks alongside the most popular of the baseball stars and other sports luminaries. He has already won six tourney championships and is now challenging Kitanomaru for supremacy in Sumo even though he is about 100 pounds lighter than his 29-year-old



Hopes for Economic Recovery Linked To Reduction of 5.2% Growth Target

By Gregory Clark

Economic Growth Rate by Country (%)

Year	Canada	France	Germany, F.R.	Italy	JAPAN	U.K.	U.S.A.
1974	3.5	3.2	0.5	4.1	-1.0	-1.2	-1.3
1975	1.1	0.2	-1.8	-3.6	2.3	-0.8	-1.0
1976	5.8	5.2	5.2	5.9	5.3	3.6	5.4
1977	2.4	3.1	3.0	1.9	5.3	1.3	5.4
1978	4.0	3.7	3.2	2.7	5.0	3.3	4.4
1979	3.2	3.5	4.5	4.9	5.1	1.4	2.8
1980	-0.1	1.2	1.9	4.0	4.4	-1.4	-0.1

TOKYO — Japan's current economic dilemma seems to have no easy solution. It has no precedent; nor do Japan's much-used Keynesian textbooks offer any answers.

Meanwhile, growth targets are being gradually whittled down — from the official 5.2 percent estimated for the fiscal year ending March 1983 to the little over 2 percent now being forecast by most pundits.

Industrial production actually fell in the most recent quarter. For the first time in more than a decade, the steel industry seems likely to fall below the 100-million-ton production level.

As the Japanese see it, the first problem for the economy is the high level of deficit financing. Japan traditionally has financed public works' spending by bonds. Now it is having to finance current spending the same way, as government revenues plummet.

In fiscal 1981, depressed economic conditions led tax revenues to fall some 2.88 trillion yen below target; this year the likely shortfall is put at 6 trillion yen. While this seems small by U.S. standards, it imposes a heavy strain on the bond market.

It also runs completely contrary to government promises to balance the budget. Finance Minister Michio Watanabe was so distressed by the deficit figures that he offered his resignation — it was rejected — in August.

The key to Mr. Watanabe's problem, in turn, is a government promise made more in rash optimism than with sober reflection not to raise taxes under any circumstances. As more bonds are floated, interest rates naturally tend to stay high.

Because interest rates are high, the economy stays depressed, which in turn reduces government tax revenues.

Meanwhile a similar vicious circle operates in Japan's international transactions.

With U.S. interest rates high, the

yen weakens to well below what the Japanese authorities see as an appropriate level. This in turn forces Japan to keep domestic interest rates high, which depresses the economy, which in turn encourages capital to flow out of the country, which further weakens the yen.

Given the commitment not to raise taxes, the only alternative appears to be a deliberately expansionist package of public spending increases similar to that used in 1979 to restore the economy. This solution is being pushed strongly by Toshi Komoto, the head of the Economic Planning Agency and one of the chief political rivals to Premier Zenko Suzuki.

Mr. Komoto's answer to the deficit problem is a Keynesian version of U.S. supply-side economics: economic expansion will increase tax revenues enough to fill the deficit. But for the moment Japan's cautious economic masters remain unconvinced.

Even so, by most Western standards Japan's economy still is remarkably healthy. Wholesale prices are moving up at only a little over 1 percent a year. Consumer price increases are less than 3 percent annually.

Unemployment is creeping upward but still is only marginally more than 2 percent of the workforce.

Real consumption expenditures are up 5.2 percent over a year earlier. And the high levels of continued technical innovation, particularly in office automation and ro-

bots, help to keep plant and equipment investment running high.

The Nihon Keizai Shimbun has estimated these investments will be up a strong 10.9 percent this year. Although reflecting the current depressed state of the economy, this is a slight downward revision of earlier estimates.

The only really bleak spot in the domestic economy is the low level of housing investment, down around 20 percent from a year earlier.

Nor, on paper at least, does Japan's foreign trade situation seem unhealthy. Exports are falling heavily — in July down a full 12 percent over last year — but then so, too, are imports. Japan would seem to have little trouble matching or improving on its current account surplus of \$5.9 billion registered in fiscal 1981.

Dividend and interest payments from abroad continue to rise rapidly, reflecting the rapid rise in Japan's overseas investments.

The real problem with the Japanese economy is structural, and some hint of this is given by those falling export figures. For more than a decade now Japan has been relying increasingly on exports to stimulate its economy.

In some years they provide almost half the real growth in the economy. The export industries also serve as lead industries for the rest of the economy.

In effect, Japan has to keep expanding exports indefinitely simply to maintain what it sees as

minimal economic progress. But as this year's figures show only too well, there are now clear limits to export expansion.

The main markets in the United States and Europe are at worst rejecting Japanese goods and at best are too depressed to buy.

A double-digit fall in exports has not been seen since 1975. Radios are down 31 percent, televisions by 27 percent, ships down by 31 percent.

The chickens that hatched from years of export-or-perish policies are now coming home to roost: it is now export and perish.

Only belatedly are some Japanese realizing the overdependence on exports and the need to stimulate Japan's many backward domestic industries. For example, the current slump in housing can be blamed on an almost total absence of any rational land policy, which has allowed land prices to rise to a point where few can or want to build.

Japan's backward retail and distribution industries have been a major factor depressing domestic demand — and encouraging manufacturers into excessive exports. Now the conservative retailers and distributors have the government on their side, with a law actually forbidding the expansion of efficient supermarkets.

Meanwhile, Japan lectures the rest of the world for its conservatism toward the introduction of industrial robots.

Growth in Foreign Capital Transactions Cited In Answer to Charges of Closed Money Market

The writer is director of the International Finance Bureau in Japan's Finance Ministry. This article has been reprinted with the permission of The Japan Times.

By Tomomitsu Oba

TOKYO — Discussions on the internationalization of the Japanese money and capital markets have become very lively recently. In particular, these discussions in Europe and the United States have often centered with criticism of the closed nature of the Japanese market and the delay in the internationalization of the country's market as a factor in the decline of the yen rate on the foreign exchange market.

We are willing to meet squarely any proper criticism, raised in Europe or in the United States, and take it into consideration in carrying on administrative affairs hereafter. We think, however, that the criticism in Europe and the United States, especially that concerning the Japanese money and capital markets, does not necessarily reflect correct recognition of the recent rapid progress in internationalization of the Japanese market.

Recent Trends

In the following, I shall describe recent trends in the internationalization of the Japanese market, in order to answer such criticism. Recently, the volume of transactions on the Tokyo foreign exchange market has expanded suddenly, due to increasingly brisk international capital transactions. In 1981, the total volume of transactions amounted to \$3.3 trillion, nearly eight times as much as that five years before in 1976. It can be said that the Tokyo Foreign Exchange Market is growing into one of the biggest foreign exchange markets in the world, to rival New York and London.

Also, it deserves attention that the volume of foreign exchange transactions with overseas sources has reached more than three times as much as those carried out with customers at home. From a certain point of view, it can be said that this is indicative of a drastic increase in the volume of yen transactions on the overseas foreign exchange markets.

Furthermore, the outflow of capital from Japan in 1981 amounted to \$22.8 billion, as compared with \$12.4 billion for West Germany. Also, the inflow of capital from abroad in the same year amounted to \$13.1 billion, as compared with \$16.8 billion for West Germany. It therefore can be seen that the inflow and outflow of long-term capital in Japan have reached a level similar to that of West Germany.

Thus, the scale of foreign exchange and capital transactions in Japan already has reached or exceeded that of West Germany. It can be said, very generally, that the money and capital markets in Tokyo have been internationalized to the West German level, if not to the U.S. level.

Concrete Analysis

Now I shall make a more concrete analysis. As concerns the Japanese money and capital markets as a field for investment in Japan, foreign investments in Japan already have been completely removed. Also, the long- and short-term capital markets have developed greatly as fields for investments, both qualitatively and quantitatively.

Medium- and long-term assets, which are the objects of overseas investments, consist of

stocks, bonds, etc. The Japanese stock and bond markets now occupy a second place in the world and are rapidly approaching the U.S. level. The balance of stocks issued as of the end of 1980, for instance, was \$379.7 billion at current prices, far exceeding the \$63.5 billion of Frankfurt and \$204.5 billion of London.

Also, the balance of bonds issued as of the end of 1980 was \$732.3 billion, more than twice as much as West Germany's \$345.8 billion. Bond transactions in 1981, too, amounted to \$725 billion, far exceeding West Germany's \$228 billion.

Money Markets

The short-term money market in Japan has developed greatly, with the progress of liberalization of interest rates in recent years, the introduction of certificates of deposit, or CDs, as a new market instrument, and the development of a brisk exchange of short-term capital at home and abroad. Now it can stand comparison with the short-term money markets of other advanced countries in regard to scale and extent of internationalization.

In continental Europe, CDs are not in circulation. In such countries as West Germany and France, the interbank call market is functioning, in practice, as the only short-term money market. True, the Japanese short-term money market is still below the U.S. level in regard to scale and depth. It is not proper, however, to compare the Japanese market with that of the United States, whose currency, the dollar, is a key one. With consideration for the financial structure — the relative weight of banks, etc. — and the international positions of currencies, it can be said that West Germany is a country which can be chosen for objective comparison with Japan.

Under the circumstances, the rate of participation by foreign banks and nonresident foreigners in the Japanese short-term money market has been rising rapidly. As of the end of December, 1981, the shares of foreign banks in the Japanese call, bill and CD markets stood at 11.3 percent, 18.4 percent and 12.6 percent, respectively. Also, the share of nonresident foreigners in the spot and futures market was 18.1 percent as of the end of December, 1981. At the end of December, 1979, the shares of foreign banks in the call, bill and CD markets were 3.3 percent, 9.2 percent and 14.0 percent, respectively, and the share of nonresident foreigners in the spot and futures market was only 1.9 percent.

Thus, the long- and short-term capital markets in Japan have expanded and developed enough to provide sufficient means and fields for foreign investment. In view of this fact we must say that it is not true that the decline of the yen rate on the foreign exchange market has been caused by restriction against foreign investment in Japan.

The internationalization of the Tokyo market as a market for the procurement of funds, too, has made progress. In 1981, foreign yen bonds were floated to the amount of \$2.5 billion — as compared with \$2.6 billion worth of foreign Deutsche mark bonds floated the same year, including Euromark bonds amounting to \$1.3 billion — foreign exchange banks advanced yen loans totaling \$2.6 billion and overseas investment in securities amounted to \$6.1 billion. These figures indicate that the Tokyo market now rivals the market of a country like West Germany as an international market for the procurement of funds.

We think that it is very gratifying that the Tokyo market is developing steadily as a market for the procurement of funds by foreign nations. The reason is that we believe that the expansion of capital exports is the direction Japan should follow from now on, and that it is conducive not only to Japan's national interests, but also to the development of the world economy as a whole, that Tokyo plays a leading role as a money and capital market for the Asian and Pacific nations and the oil-producing countries. Together with those concerned with the market, we have been endeavoring to move in such a direction. It can be said that the progress of internationalization of the Tokyo capital market has been brought about by such efforts.

Foreign criticism of the closed nature of the Tokyo market as a market for the procurement of funds seems to reflect some misunderstanding about the reality of this market and the intentions of Japanese policy-making authorities.

Yen Transactions

Now we must touch upon the internationalization of the yen. The progress of internationalization of the Tokyo market has naturally been followed by the internationalization of the yen and the expansion of yen transactions abroad. It can be surmised that the scale of yen transactions on the overseas foreign exchange markets is now more than three times as much as that of foreign exchange transactions in Japan. Overseas transactions in yen funds, the so-called Euro-yen transactions, too, have been increasing at a rapid tempo recently. Their scale can be estimated at already more than 5 trillion yen.

It can be thought that the yen assets in the hands of nonresident foreigners now amount to nearly \$100 billion. True, the ratio of the yen to the foreign currency reserves in the hands of the government is only about 4 percent, as compared with 14 percent in the case of the mark, as West German Economics Minister Otto Graf Lambsdorff has pointed out. Recently, however, this ratio has been rising very rapidly, as can be seen from the fact that it was 0.6 percent at the end of 1975 but rose to 3.7 percent by the end of 1980. It can be expected that the internationalization of the yen in this field, too, will progress further hereafter.

Key Currency

We must add that Japanese authorities have not taken any steps to obstruct the internationalization of the yen deliberately. We must point out, however, that there are fundamental differences between the so-called secondary reserve currencies, such as the yen, mark and the Swiss franc, and the U.S. dollar which is the only key currency, and that the position of West German, Swiss and Japanese authorities concerned on the internationalization of their currencies is naturally different from that of the U.S. government.

The Americans often forget the fact that their currency is a transaction currency that still has overwhelming power and have become inclined to ask other nations to follow financial and foreign exchange policies similar to theirs. We must say that this request is not acceptable to other nations at present, although the situation may become different if the yen and the mark are truly internationalized as transaction currencies, and not as reserve currencies, in 10 or 20 years' time.



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SUMITOMO BANK

Energy: A Rise In Nuclear Role

By Jon Woronoff

TOKYO — As all Japanese know only too well, they live in small and crowded islands, largely bereft of natural resources, but also in one of the world's most dynamic economies. This means that although their survival is based on a constant supply of energy, very little of it can be generated locally unless Japan rapidly escapes its dependence on imported oil, natural gas and coal.

This logic has pushed the government to adopt comprehensive programs to shift more and more of Japan's energy requirements to other sources, the most popular of which is nuclear power. In 1980, this accounted for only about 5 percent of the total energy consumption. However, the latest targets of the Advisory Committee on Energy — a consultative body of the Ministry of International Trade and Industry — should change this radically in the near future.

According to the committee's long-term energy supply-and-demand outlook announced last April, the share of nuclear power should rise to 11.5 percent of the total by 1990. It should actually accelerate over the following decade, providing 18 percent of total needs by the year 2000. Nuclear power generation then should attain 90 million kilowatts, against a mere 15.7 million kilowatts in 1980.

Ambitious Goals
All this looks very promising, at least to those who promote nuclear energy as the primary solution to Japan's problems. But even they must have some doubts as to whether these ambitious goals will be attained.

There is already a widespread myth of MITI's super-efficiency and ability to overcome odds that would faze any other agency. Yet, a look at its previous targets should give cause for concern.

Back in 1973, MITI talked of developing a nuclear generating capacity of 60 million kilowatts by 1985. Two years later, this was scaled down to 49 million kilowatts. Another three years later, it was reduced to 33 million. While the Electric Enterprise Deliberation Council still thinks that the level may just attain 28 to 30 million kilowatts, it looks like the best that can be expected is about 25 million kilowatts.

Even when compared with more recent targets, this is a poor performance, and compared with the original plans it is miserable.

Something clearly went wrong when the government officials, planners, power companies and nuclear lobby so bravely charted Japan's future path only a decade ago. Whatever it was that went

wrong, it may still be around to frustrate even today's much more moderate ambitions.

One factor that has definitely hurt — although only a technicality — is that the operation rate of the existing nuclear plants has been much lower than planned. While they were never expected to run at 100 percent — due to inevitable periodic overhauls and breakdowns — it was not expected that the operation rate would fall as low as 60 percent. This figure has varied a bit, but there is little hope that it will improve markedly in the future. While the new plants are somewhat more efficient, the older ones have gotten less so with the years.

Human Problem

But the real problem is obviously a human one — the same sort of problem that has hamstrung the nuclear programs of most Western countries: People have simply become distrustful of nuclear plants, and it is getting harder and harder to have them approved, built and running smoothly.

Unlike most advanced nations, Japan does not have much of an anti-nuclear movement, nor even a loose coalition of opponents. Those who are against nuclear energy in principle are few, but this has not prevented small grass-roots groups or village committees from making things difficult. Before a nuclear plant can be erected, the central government and power companies must obtain the approval of the local community. To make things as easy as possible, they traditionally seek out small, remote villages, usually suffering from economic depression. The coming of a power plant would have considerable benefits in terms of jobs, infrastructure and modernization.

Furthermore, exorbitant prices were paid for land and municipalities obtained handsome civic facilities such as recreation areas, hospitals and old-age homes. Power companies promised electricity at very low rates, and there were even more direct benefits, such as when the inhabitants of Matsuyama were offered 5,000 yen a month for each household.

The biggest trouble always came from fishermen, who feared that the warm water discharged by the plants would spoil the currents and destroy the fishing grounds. An eventual leak could damage their haul and deprive them of their livelihood. To placate them, even more generous benefits were sometimes granted, such as the nearly 4 billion yen the 245 members of a fishermen's cooperative in Maki held out for to abandon their fishing rights.

The first score or so of power plants were installed by using such methods, and if there had been no

Administrative Reform: 'Revolutionary' In the Context of Japanese Politics

TOKYO — A national magazine recently up-graded the highly touted administrative reform in Japan to a "revolution." If it is carried out, it might almost deserve that title when seen against the background of Japanese politics.

This is far from the first attempt to rationalize and simplify Japan's governmental structure, but it is the first one that looks likely to succeed to some degree.

The plan, which was submitted on July 30, is the work of the Second Ad Hoc Commission on Administrative Reform. The first commission, which was active some 18 years ago, accomplished little. Meanwhile, there have been repeated complaints about inefficiency and waste — and many other plans. None of them was implemented and some never even reached the stage of formal presentation.

That it has gotten this far and that the cabinet of Premier Zenko Suzuki has actually accepted the report and "intends to carry out the recommendations earnestly and faithfully" is a sign of the times. Japan could afford a more bloated bureaucracy during the period of rapid growth. Now that growth has slowed down considerably and both businesses and private citizens are feeling the pinch, there is greater insistence on tax monies being used well.

Government's Share

It also is a reflection of the prominent role played by the chairman of the commission, Toshiro Doko, Mr. Doko, long-time head of the Japan Federation of Economic Organizations, known as Keidanren, enjoys exceptional prestige in business and government circles. And the very creation of the body arose from strong resentment in the business community, especially in big business, that the government was not doing its share at a time of economic hardship. Rather than ask for more taxes, it should slim its own services and become more efficient.

The work of the Second Ad Hoc Commission, which was unusually comprehensive in scope, already has been commented upon amply in the press. Most attention has been attracted by the spectacular decision to turn three major public corporations over to private management. They are the Japanese National Railways, Japan Tobacco & Salt Monopoly and Nippon Telegraph & Telephone.

This is just one of many aspects that were touched upon. The various subcommittees also made important recommendations concerning education and health care, land and housing, social security and the tax system. It looked into other government bodies as well.

While more interest was obviously focused on

what was done, it must be admitted that some rather crucial chores were left undone. Although condemning higher taxes, no explanation was provided as to how to make up for existing revenue shortfalls, which seem to be growing.

Although the three public corporations were dealt with extensively, and some smaller agencies were to be amalgamated, the reports were painfully silent about the core of the central government, the various ministries. They were simply asked to put their own house in order.

Degree of Resistance

If the administrative reform plan is truly "revolutionary," then it is bound to arouse a degree of resistance. This is found in some business circles, but more so among the opposition parties, notably the Japan Communist Party, the Japan Socialist Party and Komeito. There are objections from the trade unions in general, particularly the leftist Sohyo federation, and members of the JNR. There also is a sprinkling of complaints from certain social groups.

Nevertheless, the chances of a reform being implemented in one shape or another are rather good. The main reason is that so much of the population is in favor. Most business associations have stated their support of the commission's plan and most factions of the ruling Liberal Democratic Party have agreed to back it.

As for Premier Suzuki, last year he proclaimed that he was "staking his political life" on its success.

Thus, within the context of the administrative reform, the situation seems rather positive. The recommendations have been submitted, and accepted and are edging toward formal legislative approval and then implementation.

People look forward to the relief this will bring in terms of lower taxes — or, more likely, smaller tax hikes — and greater efficiency within the government. Just in case, the budget is being kept under strict control.

Economic Situation

The only serious question is, what if the context was too narrowly defined? This question is hardly ever raised. Indeed, some will wonder how anything could be wrong with such a noble cause as "small government." Yet, when the broader economic situation is considered, there are very definite grounds to criticize what is being done.

Japan's most urgent problem at present is not "big government" but an exceptionally sluggish economy. From more than 10 percent a decade ago, the growth rate has fallen to some 2 or 3 percent. This is largely due to the worldwide recession.

(Continued on Page 13S)

further hitches, the government program could have proceeded as planned. Unfortunately, there were repeated accidents. Those that were not covered up were serious enough to worry both local communities and those living further afield. The worst accident was in Tsuruga, where 16 tons of radioactive waste water spilled out and some of it seeped into the ocean in April 1981.

As a result, local communities now are less willing than ever to accept power plants — even those that already have them. If they give in, it is for considerably larger compensation, and the nuclear lobby got its worst fright recently when the town of Kubokawa

adopted an ordinance providing for a referendum to approve any new power plant.

While admitting Japan's extreme need for alternate sources, the public has definitely turned lukewarm as far as nuclear energy is concerned. According to a poll by the Prime Minister's Office, 59 percent of the Japanese people were concerned about the safety of nuclear power and 45 percent thought safety precautions were inadequate. Nevertheless, 40 percent still felt it was necessary to increase Japan's dependence on nuclear power as opposed to only 10 percent who were for a reduction.

According to a poll by the Asahi Shimbun newspaper, among persons asked whether they agreed with the construction of nuclear power plants in general, 55 percent were in favor and only 23 percent were against it. When asked, "if a plant were to be erected in your neighborhood, would you still agree?" only 22 percent said yes — a complete reversal.

As is happening everywhere in the world, most people in Japan are willing to have nuclear energy generated anywhere but in their own towns. This is why the power companies have not been putting up as many plants as they intended to, and the situation could get worse in the future. If it does, it may become necessary to revise the MITI figures further.

Japan's Real Decision Makers—

Their Daily Newspaper Is The Asahi Shimbun.

You've probably heard or read a lot about the unique decision-making process in Japanese organizations, and maybe you're even a little confused about what really goes on. While a lot of attention has been given to the "how," little has been paid to the "who." Put simply, the Japanese decision-making process starts from the bottom and moves toward the top. At the Section or lowest level, problems are identified, proposals are made and the initiative is taken. Among Section workers, morale is high, energy and enthusiasm are common, and the willingness to work long and hard is taken for granted.

As the facts clearly show, their newspaper of choice is the Asahi Shimbun. Published twice daily in Japan's major commercial and population centers, backed-up by several combined area editions, and having a large nationwide readership, the Asahi Shimbun is a quality newspaper which reaches the people who count. If your need is to inform or persuade Japan's decision makers, then let the Asahi Shimbun carry your message to the source.

Comparison of Dissemination Rates of Japan's Four Major Newspapers.

Senior Executives and Professional People

Asahi	33.2%
Mainichi	13.4%
Yomiuri	22.7%
Nihon Keizai	8.3%

Middle Management & Section People

Asahi	27.2%
Mainichi	12.4%
Yomiuri	21.4%
Nihon Keizai	4.9%

(M.M.F., March, 1982)

Asahi Shimbun

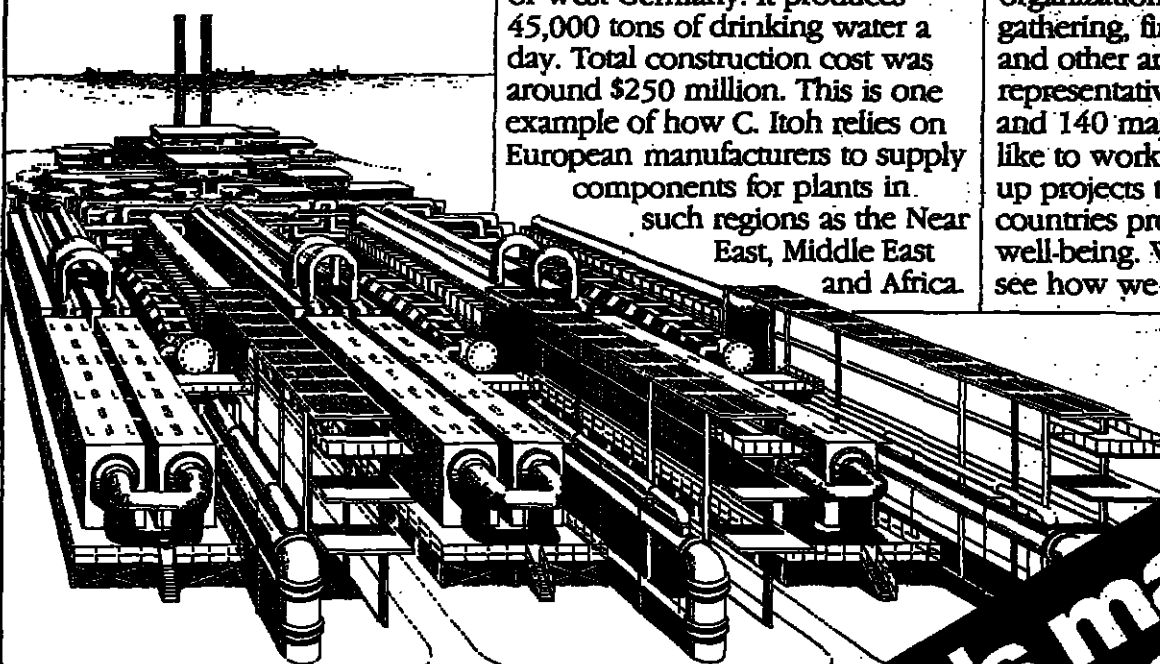
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JAPAN

Turnaround of Yen Bolsters Hopes For Upswing in Tokyo Stock Market

TOKYO — The yen's turnaround from a five-year low in mid-August and prospects of a new package of business-stimulating measures have given rise to hopes of a good recovery to the Japanese stock market.

Much still depends on whether short-term and long-term U.S. interest rates will continue to decline and whether the New York Stock Exchange will keep up its recovery.

Uncertainties on the international credit market, as reflected in the financial difficulties of Poland, Romania, Argentina and Mexico, are also likely to restrict recovery of the Japanese stock market.

Adjustment Period
After reaching a record-equaling high of 8,019.14 in the market average in August, 1981, the Japanese market entered an adjustment period in the following month, when convertible bonds issued in large quantities overseas by Japanese companies in a previous period began to be converted into stocks for sale in Japan, with the market average falling to 7,587.87 in October.

Despite a short rally in early 1982, the adjustment period continued and the average fell to a two-year low of 6,864.56 on August 17.

Large Shortfalls
In addition to external factors such as high U.S. interest rates and a sluggish New York Stock Exchange, the Japanese stock market was also affected by Japan's slow economic recovery.

Large national tax revenue shortfalls were reported for fiscal 1981, ended in March 31, 1982, and are forecast for fiscal 1982 as well, seriously clouding the future outlook.

The shortfalls are likely to lead to massive additional flotation of national bonds, whose outstanding balance totaled 86 trillion yen

(\$344 billion) at the end of last May.

Foreign investors, who have been selling more Japanese stocks than they bought since February, 1982, may reverse their stance if the yen continues to rise against the dollar after a turnaround made in mid-August.

Net sales of Japanese stocks by foreign investors, especially by West European mutual funds and investment banks in the past several months partly reflected the dwindling OPEC payments surplus as well as the decline in Japanese stock prices. However, net sales by both U.S. pension funds and West European investors have been declining slowly, while flotation of convertible bonds by Japanese companies in overseas markets has fallen sharply.

Surplus Funds Increase
Japanese industrial and business corporations, whose surplus funds available for investment have been increasing, have shown more interest in free-interest instruments of investment, such as negotiable certificates of deposits, and foreign-currency securities, rather than stocks.

Their investment in stocks is unlikely to increase sharply, because of continued development of new instruments of investment by banks and securities companies and the low income gain of Japanese stocks.

However, the situation may change if stock prices begin to rise sharply, promising good capital gains.

Japanese insurance companies have been increasing investment in stocks since mid-1982, but sharp increases are not expected to continue in this area due to low income gains (estimated at 4.57 percent in mid-1982), compared with yields of 7.9 percent for loan issues and 7.81 percent for investment in bonds.

According to one estimate, Japanese insurance companies' investment in stocks will increase from 750 billion yen in 1981 to 850 billion yen in 1982, or 18 percent of their funds available for investment or lending.

Japanese banks have also been shifting investment of their funds to free-interest instruments of investment, especially foreign-currency securities bearing high interest rates.

But they have also been increasing investment in stocks of medium-sized enterprises to which they plan to increase lendings as a result of large capital issues made by enterprises whose shares they hold.

It must be pointed out, however, that they are also sensitive to the level of yields for their investment.

Their investment in stocks in 1982 is estimated at 1 trillion yen, compared with actual investment of 1,059 trillion yen in 1981.

Japanese pension funds, managed by trust banks and life insurance companies, have been increasing rapidly.

Investment Expanded
They have expanded their investment in Japanese bonds and foreign-currency securities, such as U.S. government bonds, but their investment has been restricted by Japanese monetary authorities to stem capital outflow and defend the yen.

Their investment in Japanese stocks has also increased this year, but the trend is unlikely to intensify unless Japanese stock prices rise sharply.

The yen's weakness and the slump on the Japanese stock market partly reflects the uncertain outlook of the Japanese economy. Up to early 1982, Japanese monetary authorities boasted about the nation's excellent economic performance, including low inflation rate, low unemployment rate and

marked improvement in the current account balance.

The outlook became blurred following reports that Japan's gross national product showed an annualized decline of 0.9 percent in the last quarter of 1981 and that national tax revenue will fall far short of government estimates in fiscal 1981 and 1982.

The Japanese government has so far failed to indicate clearly how it will deal with these problems, partly because of Premier Zenko Suzuki's commitment to a policy of heavy spending cuts and sharp reduction of national bond flotation by fiscal 1984.

The Japanese Chamber of Commerce and Industry has demanded that steps be taken to pull smaller industries out of recession.

The Japan Foreign Trade Council, an organization of 13 leading trading houses, has requested the government to introduce export-promoting measures, including more efficient use of official development assistance (ODA) and mixed credits (a combination of soft and hard loans) to promote exports of industrial plant facilities to the Middle East, Southeast Asia and Latin America.

The council has also called for a relaxation of restrictions on export insurance, which has been suspended temporarily for almost one third of the 150 countries with which Japan is trading.

Some Japanese government officials privately predict that a package of business-boosting measures and a supplementary budget will be adopted in or after September when it will become politically clear that Premier Suzuki will be re-elected as president of the ruling Liberal Democratic Party at a party congress scheduled for November.

The Japanese stock market will benefit from such a development, especially if it is coupled with a decline in U.S. interest rates and continued recovery in the New York Stock Exchange.

Doubts on Economic Revival Are Seen

(Continued from Page 5S)

rate, price indexes and the current account in international payments.

For instance, unemployment at 2.5 percent hit a 26-year high in June. Some critics contend that Japan has been overly dependent on exports for its economic vitality. This theory, however, is contested by others who point out that exports account for only 13 percent of the GNP, a rate much lower than 23 percent for West Germany, 22 percent for Britain and 18 percent for France.

Still others contend that the decrease in portfolio investments of Japanese securities by nonresident foreigners is a sign of a growing lack of confidence in the future of the Japanese economy.

In support of this argument, they cite the fact that between October last year and last March, foreigners sold 321 million Japanese shares more than they bought during the same period. This was a reversal from the 46-million share-buying excess recorded in the previous semester.

This trend has continued. In April and May, the value of shares sold by nonresidents was \$133 million higher than the value of their purchases.

However, there can be little doubt that the pull of higher yields has caused a flow of capital from Japan to the United States.

In the last two years, capital in excess of \$1 billion a month has been exported, exerting a powerful downward pressure on the yen and a corresponding upward pressure on the dollar.

Tomimatsu Oba, director of the International Finance Bureau of the Ministry of Finance, puts the overall outflow of capital from Japan in 1981 alone at \$22.4 billion, against an inflow of \$13.1 billion. In the April-June period this year, the outflow was \$6.6 billion.

This movement of capital was made possible by the Dec. 1, 1980, liberalization of foreign-currency regulations that permitted greater flexibility in foreign investment transactions. Japanese investment in foreign securities grew in 1981 to \$8.77 billion, of which \$8.53 billion was in bonds. The latter included \$2.72 billion in yen-denominated bonds issued in Tokyo.

Japanese officials point out that the yen raised through such instruments of foreign borrowing such as so-called "samurai" bonds or syndicated loans from Japanese commercial banks are converted almost immediately into foreign currencies, depressing the yen's exchange rate.

Another factor influencing the yen's exchange rate is the growth in yen assets in the hands of nonresident foreigners.

The increase in the amount of these yen assets abroad — known as Euroyen — was partly due to yen deposits made by importers in European banks. The importers

did so as a hedge against exchange risks on payments for vessels and plant facilities bought from Japan on a deferred-payment basis in yen.

The Bank for International Settlements put the amount of Euroyen at \$11.2 billion at the end of 1980. In 1981, this amount had increased to \$16.2 billion.

According to Nobuyoshi Araki, chief economist of the Long-Term Credit Bank of Japan, a fast growth in the exchange of yen into dollars occurred when Euroyen holders released their yen holdings in favor of dollars when interest

rates on the Eurodollar rose, prompting a fall in the value of the yen.

The same thing occurred, Mr. Araki said, when the yen fell following the Israeli drive into Lebanon.

The Nihon Keizai Shimbun, the leading Japanese financial daily, estimates that, as a result of this Euroyen increase, yen-dollar transactions on the New York and London markets have recently amounted to \$3 billion to \$5 billion a day, a volume equal to the daily transactions on the Tokyo foreign-exchange market.

The Finance Ministry's Mr. Oba has denied that the Japanese authorities have taken deliberate steps to obstruct the internationalization of the yen as a means to prop up the value of his country's currency.

However, a Finance Ministry official, speaking privately, sounded a different note. Referring to the Euroyen market, he said: "We don't want to find ourselves facing the problems that have confronted the U.S. over the Eurodollar market."

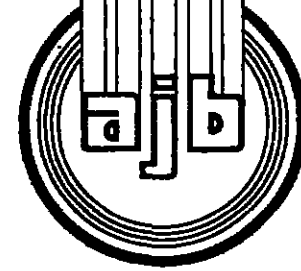
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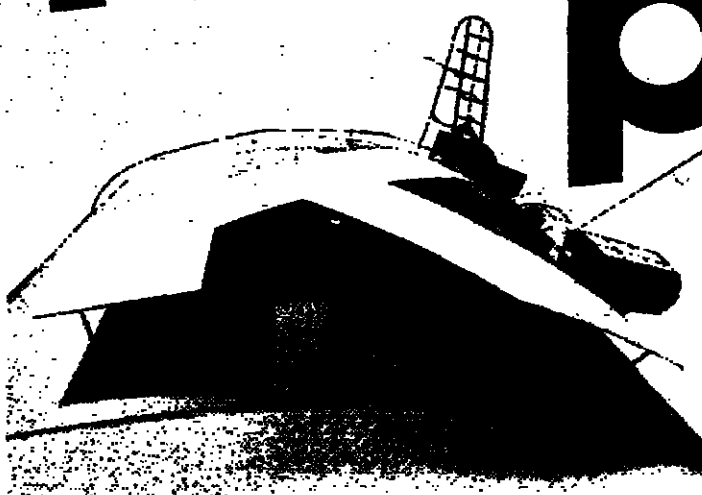
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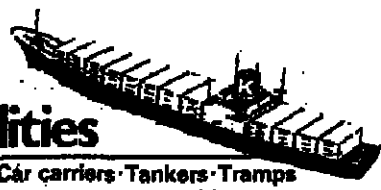
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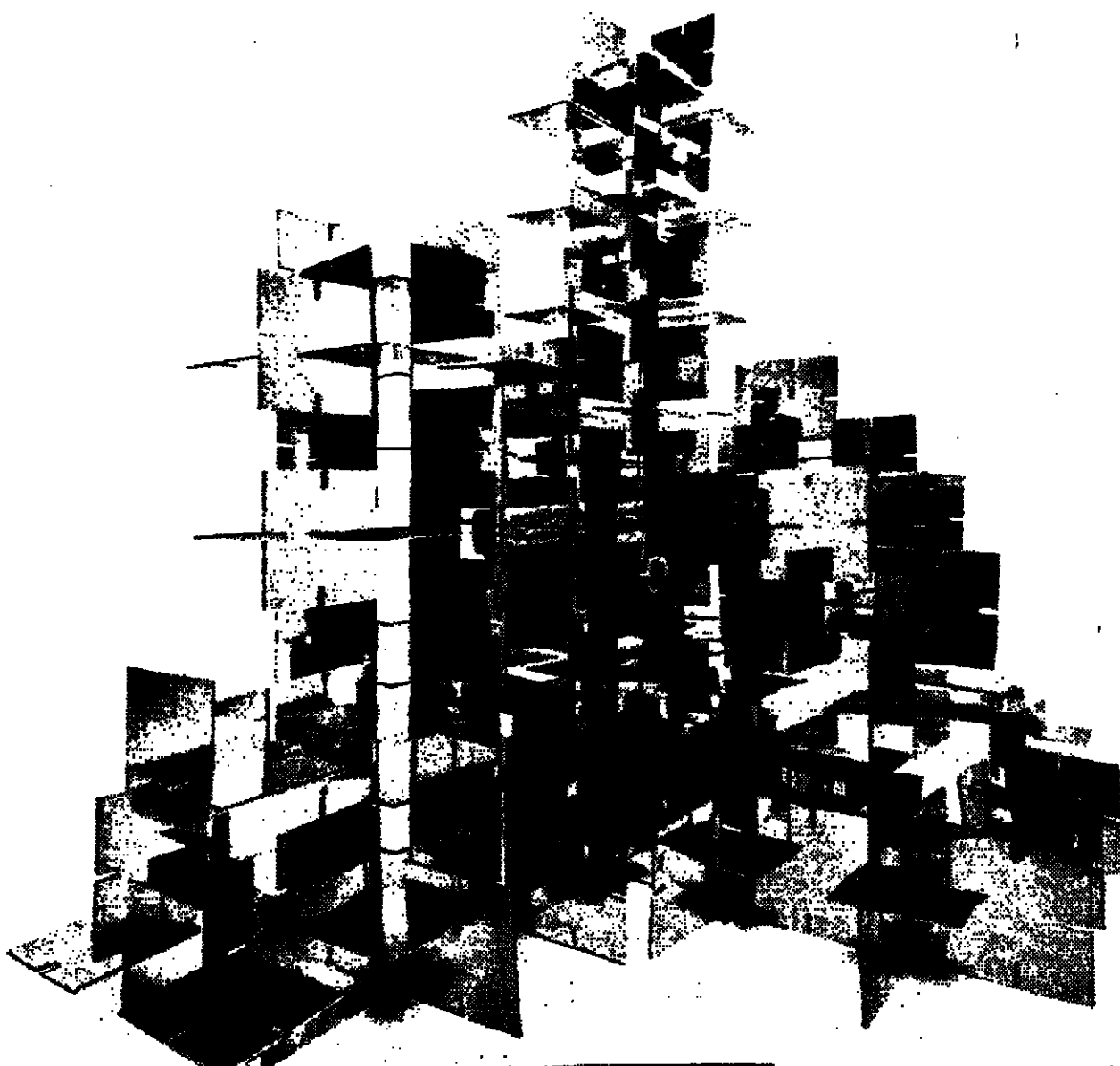
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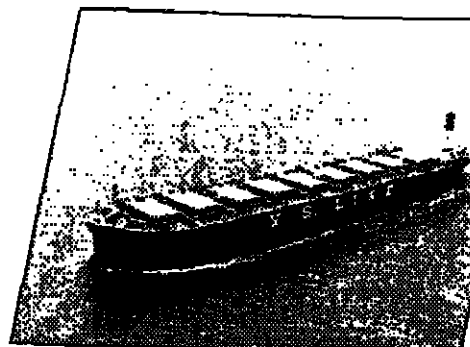
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The Private Cram School Joins the Curriculum

TOKYO — Every March, hundreds of thousands of Japanese between the ages of 18 to 20 wait with hope and dread for that brief notice upon which their entire future depends. The moment is the culmination of years of effort and sacrifice, marking the turning point between success and failure — the promise of advance to the highest echelons of government and business, or a career as a run-of-the-mill wage earner.

The ritual is the announcement of candidates who have passed entrance examinations to the nation's top universities. For those present at university campuses to witness their moment of truth, notification comes with the posting of numbers on a large board, the numbers assigned the students for the examination.

Television cameras record the initial elation when the candidate spots his or her number. Those who have made it are thrown into the air by happy friends. But the majority search the board fruitlessly, milling around in silent anguish.

For others who have scattered to their homes (there are weeks of waiting until the announcement), notice often comes by telegram from friends. "Mr. Fuji has been conquered," a successful candidate may be informed. Failure is conveyed through such messages as "The waves are still high in Surugabay," or "The young woman sleeps alone." Only symbolism seems adequate for such momentous news.

Education in Japan is compulsory through junior high school, but more than 90 percent (100 percent in most metropolitan areas) go on to senior high schools where 35 percent of the graduates pursue higher education. More than 600,000 stu-

dents are accepted at the nation's universities and junior colleges every year.

The chain of events leading to the numbers board or the telegram begins as early as kindergarten. Entry into the "right" kindergarten equips the child for the "right" primary school, and the "right" primary school (grades one through six) helps pave the way to the "right" junior high school (grades seven through nine) which in turn will give the student the best chance of mastering the exams for those senior high schools (grades 10 through 12) whose graduates have the highest rate of acceptance into the top universities. University admittance alone virtually assures a degree.

The stiff entrance exams that students confront at each rung of the educational ladder — where only a few make it to the top — and the link between the right university and a successful career, make Japan one of the most competitive societies in the world. The system places almost unbearable pressure on students and teachers alike.

The pressure is cited as the reason for the high rate of suicide among teen-age Japanese and is said to lie behind the fact that Japanese children have the shortest sleeping hours in the world.

Under such relentless competition, scandal has a fertile breeding ground. At Waseda University recently, personnel were charged with accepting huge sums of money from parents for advance copies of exam questions.

A parallel system of education in the form of private cram schools has appeared throughout the country to supplement a student's normal preparation.

There are cram schools each step of the

way and some even have their own entrance examinations. For example, Sunda in Tokyo, one of Japan's toughest pre-university cram schools, has room for only one out of every five applicants.

These schools have changed the lives of families with school-age children. In Tokyo, as many as 75 percent of pupils in the fourth to sixth grades — the years when preparation for junior high begins — attend cram schools, or *juku*, as they are called. *Juku* classes are held after regular school hours as well as on Sundays, leaving little time for play.

Major Industry

Many parents consider *juku* teachers better than those at regular schools as their reputation and survival depend on the number of their students who are able to pass entrance exams. Even parents whose children are already at the top schools do not feel safe unless they send them to *juku* as well.

As students at public schools must live within the institution's jurisdiction, many families move to areas known for having good schools even at great inconvenience.

Juku education today is a major industry. Japan's largest supermarket chain, Dai-ichi, has its own *juku* network. And the first *juku* in Europe opened last year in Düsseldorf to help children of Japanese businessmen keep up with the stiff level of competition they will face when they return home.

One product of the competition is the *ronin* named after the masterless Samurai of feudal days. At Tokyo University, considered the pinnacle of academic achievement, more than 50 percent of the students are *ronin*, meaning that having failed entrance exams on their first try, they preferred to

cram a year and try again rather than settle for a lesser institution. A one-year *ronin* period is considered normal, although some carry on for two and even three years before making it, if at all.

An alternative is to gain admittance from the first grade to an institution that has its own schools from the primary grades through university.

Efforts have been made in recent years to ease the pressure. Standard deviation values, which rate scholastic achievement against a norm of 50, are also assigned to schools according to results of their entrance examinations. With this information, teachers can recommend schools that more accurately correspond to a student's ability — although the temptation remains for ambitious parents to encourage their children to try for the top.

In 1979, state universities did away with individual preliminary entrance examinations and adopted a uniform test. They also set identical dates for the final exams to prevent candidates from applying to more than one university.

Students, however, can still apply to as many private universities as they wish where examination dates are not standardized. In fact, it is routine procedure to try for more than one school.

Whatever its faults may be, the system does distribute the cream of the nation's university graduates to positions in government and big business where the power lies. The most gifted are automatically channeled to the most influential positions, a procedure sometimes cited as one reason for Japan's strength.

—KENNETH

International Schools Span Culture of Continents

Special to the IHT

TOKYO — In many countries children of foreign businessmen, diplomats and missionaries attend local schools where they can pick up a new language and broaden their cultural perspective.

But in Japan, an exam-heavy educational system that emphasizes rote-learning in a complex language featuring thousands of written characters, means that a Japanese education after kindergarten is not possible for the children of most foreign residents.

Companies Pay
"The vast majority of Westerners in Japan would have their children enrolled in an English-language school from grade one up," said Ray F. Downs, administrator of the American School in Japan. "The Westerner in a Japanese school stands out in a way that he wouldn't in a French or German [native] school."

About two dozen schools provide English-language education following a U.S. or U.S.-British curriculum while others teach in German, French, Finnish, Indonesian, Korean or Chinese.

These "international schools" range from those with a handful of students to those with several hundred. Many are church-affiliated, a few have boarding facilities and most are coeducational.

Annual tuition at the international schools can vary from 700,000 to 1 million yen, although companies often pay all or part of the costs.

The 80-year-old American School on the outskirts of western Tokyo is the largest international school, with 909 students representing 29 nationalities, including about 600 American and 140 Japanese students. Nearly all the 100 seniors who graduate yearly go on to college, either in the United States or to one of the English-language universities in Tokyo — Sophia University and International Christian University.

About 80 teachers, mostly recruited from the United States, teach kindergarten through high school at the American School, which is accredited by the Western Association of Schools and Colleges.

Sense of Community
Mr. Downs, an American School graduate who last April completed a one-year term as president of the Japan Council of Overseas Schools, said that the international schools provide a sense of community. "The schools become very much a center of the kids' lives," he said. "They're here all the time," taking advantage of a range of extracurricular programs.

A survey of upper-level students at the international schools, Mr. Downs added,

showed that most "felt enthusiastic about living in Japan." The country's extensive public transportation system offers mobility, he said, and the low crime rate means that there is less anxiety over possible kidnappings or bombings than at some international schools abroad.

Japanese Required

Not all the students who attend international schools are short-term residents, however. Many are members of this country's large non-Japanese Asian population, which includes 660,000 Koreans and several thousand ethnic Chinese, descendants of people brought here when Korea and Taiwan were Japanese colonies before and during World War II.

St. Joseph College, established by the Marianists in 1901, educates about 265 boys — the majority of them Eurasians and Orientals — from kindergarten through senior high school. Located in Yokohama, traditionally the home of a large foreign community because of its port and Chinatown, the college sends 95 percent of its graduates on to universities.

"It wasn't until after we graduated that we thought about each other's nationalities — after we started worrying about visas and draft laws," a 1973 graduate said.

The neighboring girls' school, St. Maur

International School, was founded in 1872 and has 350 students in its Montessori department and grades one through 12.

The Nishimachi International School in Tokyo combines mandatory Japanese language classes four days a week with instruction in English for its 360 students, kindergarten through junior high. Founded in 1948, the school limits class size to about 25 students and requires an English-language placement test, a school official said.

Outside Tokyo, one of the largest international schools is the Canadian Academy on Mt. Rokko behind the busy seaport of Kobe near Osaka. More than 600 students from 30 countries attend classes, from nursery through high school. About 50 live in dormitories.

At the German-language school, 520 kindergarten through high school students from Germany, Austria, Switzerland and Japan attend classes. About 460 students attend the Lycee Franco-Japonais de Tokyo, following a kindergarten through senior high school program. The Indonesian-language school has 169 students aged 5 to 19 from Indonesia and Malaysia.

In Otta City, near the ancient capital of Kyoto, a newly opened Finnish-language boarding school serves about 30 students from grades one through 12.

Auto Industry Shifts Sights to Domestic Market

TOKYO — Although Japan's auto industry is the world's biggest exporter of cars, it grew strong as the domestic market expanded with rapid economic growth in the 1950s and 1960s.

It was able to grow so strong because it was heavily protected against imports. Now, about 5 million vehicles are sold annually in Japan, of which almost 3 million are passenger cars. Imports account for less than 40,000 units a year.

But with limits being imposed on car imports into more and more countries, and big increases in imports being unwelcome in others, Japanese auto companies are putting more effort into boosting domestic sales. Although a lot of small cars are still sold in Japan, cars that are quite large by European standards, if far smaller than American gas guzzlers, have taken the lion's share of the market in recent years.

For example, in 1976, nine of the 15 best-selling cars in Japan had engines of around 2 liters. It is true that the Toyota Corolla was the best seller then, as it is now, but it was followed by the larger Corona, the relatively small Datsun Sunny, the largest Datsun 240K and Bluebird. There was no car with an engine of less than 1 liter anywhere near the best-seller's list.

But over the last couple of years, there has been some downsizing in Japan as elsewhere, while the maturing of the market, from that of a country with rapid growth to one with an established economy, has led to stagnation in sales. Now, the car companies are trying hard to push growth forward again — with new models, hard selling and reorganization.

Vying on the Charts
That the trend is toward small cars can be gathered from the success of the Mazda Familia (GLC or 323 outside Japan), which was third best seller after the Toyota Corolla and Datsun Bluebird last year. Seven of the top 15 cars had engines of less than 1.5 liters. The Familia was just ahead of the Datsun Sunny, which was transformed from a dreary rear-drive saloon to a well-engineered front-wheel drive model at the end of last year.

Significantly, the Corolla, Familia and Sunny have been vying for top place in the sales charts this year, and all have engines of 1.3 and 1.5 liters only.

Then, the Honda City, a very short hatchback with a 1.2-liter engine launched last November, has also proved an instant success, selling at above the scheduled rate. Clearly, the Japanese are beginning to desert their 2-liter cars in favor of small, new front-wheel drive models.

In 1981, passenger car sales just topped the 1980 figure by a few thousand units. Despite the stagnating economy, some growth is expected this year, but it is now being admitted that the growth may not be as much as expected earlier in the year — Japanese auto industry leaders are always full of optimism about the domestic mar-

ket in January, while complaining about the difficulties in exporting.

In any event, it was thought that 5 to 6 percent growth was possible, but now it looks as if 2 to 3 percent is more realistic. Because the market is saturated, the auto companies are engaged in a bitter battle to win sales from each other. One approach has been to increase dealer channels. In Japan, Nissan and Toyota sell through five or six channels, each handling a few of the model ranges only. In the last few years, Toyota has added one more chain, while both Honda and Mitsubishi went from one to two chains.

Dramatic Policy
Honda established its extra dealer chain as part of its strategy of increasing domestic sales by 50 percent. The reason for this dramatic policy was that Honda was exporting twice as many cars as it was selling in Japan. The new chain was called Verno, and Honda introduced the Prelude, Quintet and Ballade for these dealers to sell. However, none of these was a success, and ironically, the Ballade, which is built as the Triumph Acclaim in Britain, is selling less well in Japan than Britain.

However, last autumn things took a turn for the better, with the introduction of the City and the new Accord, which is sold as the Vigor by Verno dealers. Both cars have been successful, so in the first half of this year, Honda has increased domestic sales by 40 percent.

But how has Toyota, which holds 38 percent of the Japanese passenger-car market, responded to the challenge? Predictably, it has thrown all sorts of new models at the dealers. First, there was the restyled Corona in January, and this was followed quickly by the Camry and Vista, two completely new front-wheel-drive, 1.8-liter saloons, with specifications similar to the General Motors J-car.

Subsequently, the 1.3-1.5 liter Corolla/Tercel models were restyled, and an extra model, called the Corolla II, was added to give some extra volume. These models are available in three-door and five-door hatchback and four-door saloon versions, while at the end of the summer came a four-wheel drive version of this new range.

Nissan tried a similar tack when it restyled the Cherry by extending the range to include a conventional four-door saloon as well as three-door and five-door hatchbacks and a sporty-looking coupe. Both these new Toyota and Nissan ranges have started off selling far better than the previous models, and both are small cars with lengths of about 4 meters (137 inches). Further indication of the downsizing trend.

Toyota Merger
But Toyota, not content with a whole spate of new models, also made a fundamental change in its structure — on July 1, it merged Toyota Motor Co. and Toyota Motor Sales into the Toyota Motor Corporation, under the presidency of Shoichiro Toyoda, formerly president of Toyota Motor

Sales. For 30 years, the two companies had operated separately and had not always agreed on policy.

The merger was intended to strengthen Toyota so that it could increase sales in Japan, while competing more effectively with General Motors elsewhere. Toyota is the second largest auto company in the world after General Motors. Shoichiro Toyoda expects sales in Japan to grow at about 3 percent a year, indicating total sales of all vehicles of about 6.5 million units by 1992 — a massive market for a small mountainous country. He has, therefore, set out a strategy to build a sales network in Japan capable of handling 2 million sales a year by 1985. Thus, he is looking for annual growth close to 10 percent a year, well in excess of the market growth.

He hopes that this growth will come from more women drivers and from more two-car families, although no one knows where these cars will be parked and what sort of traffic jams they will create — traffic jams and very expensive parking are already the norm in Japan's cities.

To help Toyota achieve this growth, Mr. Toyoda is trying to promote what he calls tripartite cooperation. "The three parties are Toyota, the suppliers that cooperate in production and the domestic dealers and overseas distributors and dealers," he said. I want these three parties to work closely together to ensure that Toyota produces and sells automobiles that satisfy our customers. Through co-

operation, it becomes possible for all three parties to benefit and grow."

Certainly, the merger seems likely to increase Toyota's strength in the Japanese market, not least because it already has the most dealers. In addition, Nissan, about to start producing trucks in the U.S., and in a quandary whether to build a factory in Britain or to give up the idea of internationalism, is not on the offensive at present. However, it will soon introduce some new models to extend its range, including a 1-liter hatchback.

But what about imports? Next year, Nissan will start to build some Volkswagen Santanas in Japan, so for the first time, the Japanese should be able to buy a car of true European design at a reasonable price. At present, the prices of imported cars are prohibitive in Japan, while the import regulation and non-tariff barriers present considerable problems to importers.

Of course, the losers are the Japanese, who are not able to choose between a Japanese and an equivalent imported car; imports are pushed into the luxury class, whatever they are. In almost every other advanced country, consumers can choose freely between imports and domestically built cars. It is said that the Japanese are not able to do so, and sadder still that there are no prospects for any change in the situation.

—JOHN HARTLEY



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Electronics Industry: Gearing For Cheaper, Better Products

Special to the IHT

TOKYO — Japanese electronics makers are gearing up for a new generation of consumer products that will ultimately be both cheaper and better than anything currently on the market.

Although European and American makers are preparing to compete against the Japanese in some of these areas, indications are that Japan will be more dominant than ever in the next generation of electronic consumer products.

With worldwide markets for conventional audio and television products flat or declining because of saturation, Japanese companies such as Sony, Matsushita Electric, Sharp, Hitachi, Toshiba and Seiko are taking the lead to create demand for a series of new devices. Hopes are strong that at least one of these products will enjoy the highly profitable boom of the video-cassette recorder and Walkman-type personal stereo.

Among the most promising new products are:

• **Digital Audio:** This fall, a host of Japanese companies will begin worldwide marketing of the first "digital audio disk" or "DAD" players. These compact players, less than half the size of conventional record players and powered by the laser system developed by Sony and Philips of the Netherlands, provide a far clearer and more powerful sound than any conventional disk. Moreover, their tiny disks are impervious to both dust and scratches.

Already such manufacturers of software as Polygram CBS (CBS Sony in Japan) have announced plans to market several hundred disks for use in these players. And as market demand increases, these disks should take the place of the conventional stylus-functioning disks.

Another year or so later, the Japanese makers will start marketing digital versions of the compact-size cassette player. Unlike the digital audio disks, these will allow users to dub music off the radio and other disks.

In addition, manufacturers are expected to begin providing a wide range of compatible new generation products, including speakers, and amplifiers with the higher performance characteristics required to show off digital audio at its best.

With all these wonders to ap-

pear, Japan's consumer electronics industry is hopeful about the future. But most executives at those companies also are reluctant to, as the Japanese say, "count their baggers before they are skinned."

A common problem facing all of these new products is high initial cost. The "DAD" players, for example, could sell for \$800 to \$1000, plus the cost of the disks. The Seiko wristwatch television set will cost about \$400. Clearly, the problem is that in the midst of this recession's enduring pessimism, it is unclear if consumers in Japan or elsewhere will be willing — or able — to plunk down enough cash to purchase these products in great numbers.

Prices will come down with volume production. But as no one knows how quickly, executives are not expecting overnight miracles. "We are hoping that digital audio replaces conventional record players. But we don't expect that to happen before the end of the decade, at least," one Sony official said.

More innovative are a series of other new televisions that will not even use the electron guns that power Sony's flat cathode ray tube. The first such products to the market will display their images, instead, on the liquid crystal display (LCD) chips that, until now, have been limited in their utility to the displays of pocket calculators.

• **Filmless Cameras:** Another major breakthrough will come with the development of the filmless camera. The first such device, the Sony "Mavica," already has been demonstrated in prototype and will be marketed worldwide next year. Its advantage over conventional film cameras is that it will allow the consumer to produce cheap still, electronic images both on his television screen and on paper (through a converter).

Since the entertainment lives of most consumers is now focused around the television set, Sony and other Japanese companies are expecting consumers to welcome the new lightweight cameras that can put them in still images on their own screen. Moreover, the "Mavica" cameras also will function as conventional videotape cameras — with all their advantages over film — when attached to video recorders.

Future Needs

That is how things stand now, but the future must be considered. It is widely known that the population is aging rapidly. In fact, by the year 2020 Japan is expected to have the oldest population in the world, with more than 20 percent of the people aged 65 or over. This indicates that Japan is going to face tremendous problems of social security, retirement pensions and medical assistance. It will be in dire need of more hospitals and old-age homes as well as the personnel to staff them.

Yet, nothing is being done about that. The administrative reform is largely static and backward-looking. Its sole purpose is to trim costs that exist today, without showing much concern about raising funds that will be needed tomorrow. If anything, rather than prepare the way for a more extensive and supportive social welfare system, it is undermining what little now exists. This, to convert an old saying to the local coin, is "being sen-wise and yen-foolish."

— JON WORONOFF

Fifth-Generation Computers Will Revolutionize Offices

By John Hartley

TOKYO — Imagine a world in which almost anyone had access to a large computer and could use it as easily as he uses the phone today. For example, when you are faced with a legal wrangle, a tax problem, the need to balance the budget or you want to design a country cottage, the computer would give you the data and solutions to do it all yourself. Experts are suddenly redundant as far as ordinary people are concerned.

That is the sort of world the fifth-generation computer will bring, although it is not clear whether the experts involved know what sort of Pandora's box they are opening. But if, as seems likely, the industrial robot completely changes the way people work in factories, then the fifth-generation computer has even more dramatic implications for professionals such as doctors, lawyers, accountants and scientists.

All these people are needed because of the knowledge they gained at school and university and the experience they have picked up since. All that information should be available through a fifth-generation computer.

A Needed Revolution

The fifth-generation computer is not a super-fast computer intended to process millions and millions of calculations a second, although some may do that. This "generation" will replace every computer we know.

To some extent, this revolution is needed because developments in hardware — the computer machine itself and the semiconductor inside it — are galloping ahead so quickly. Today, a mainframe computer, such as that used by a large corporation to handle its number-crunching, costs about \$1 million. It is forecast that in less than five years, an equally powerful computer will cost only \$2,500, so almost every businessman will have one in his office.

But to turn the computer into a machine that can be operated, a lot of software is needed. Software, at its simplest, converts the signal when the operator presses a key into a number of signals that the computer will then convert into an image on the screen and code in the memory. At its most complex, software is a program including thousands of equations so that the operator can feed in a few numbers and get a complex calculation.

Contracts Seek to Bridge Cultural Differences

(Continued from Page 7S)

ing from their traditional mode of living to one patterned after those of the West.

This trend was expected at one time to spur imports of European and U.S. household wares and equipment that would meet the needs of this change in lifestyle.

Actually, however, instead of bringing in foreign manufactured goods, the Westernization of Japanese homes has brought about a flood of domestically made look-alikes of imported merchandise.

The introduction to Japan of the Dutch Philips coffee maker was typical. When its sales boomed, domestic manufacturers, after subjecting the device to so-called "reverse engineering" to find out how it worked, came out with similar machines. Furthermore, they added improvements to them. In addition to brewing coffee, one local product has an attached electrical-driven coffee mill.

As affluence increases, a growing number of Japanese are shift-

bers and end up with a solution to a complex scientific calculation.

The problem is that software cost more than hardware already, and to turn the computer into an everyday tool much more complex software is needed than is available now. For example, to make a program, a person needs to be able to put the data into "language" that the computer understands, among them Basic, Fortran and Cobol. But when a person wants to record a movie on his video recorder or take a photograph with a camera he merely presses a few buttons — and still some people are scared of these complicated devices. In the future, the computer must be as easy to use as a television set, telephone or instant camera.

This is where the fifth-generation computer comes in. There are two main requirements before that can become a reality, and it is these that the Japanese are tackling. First, there is the development of an "intelligent interface" and interpreter between the man and machine; secondly, the plan is to develop huge collections of data — data bases — for anyone to use.

To crack these problems, Japan's Ministry of International Trade and Industry set up a massive project expected to last a decade. Naturally, all Japan's computer companies — Fujitsu, Hitachi, NEC, Mitsubishi, Oki and Toshiba — are involved, as are Sharp and Matsushita.

A group of engineers from these companies, researchers from government laboratories and from private universities, are setting out to "break the software barrier" while developing new elements such as very fast processors and huge memories. Thus, some of the work will form a natural extension to the very large scale integrations project conducted in the 1970s.

The aim with the intelligent interface is to change the method of access to a computer. Currently, access is through a keyboard. The plan is to change all that; instead, the user will merely ask a question in the same way that he would ask his colleague in the office. The answer will be given verbally, but in many cases a "written" answer will appear on a display as well. If the question is too vague, the computer will say so and will ask a question to help the user ask a more precise one. That may seem simple

enough, but it involves the development of very complex software, which in turn needs a lot of new hardware.

But the development of the huge data bases or knowledge base is more daunting. In a nutshell, the eventual aim is to produce data of the total common knowledge in the world today — presumably secrets will still be secrets, whether they belong to a company such as IBM or a government. These data will be divided into expert packages. One might include all the data needed to prospect for oil; another all the information on how to meet air-pollution regulations in Japan; and yet another would divulge all known medical data.

Enormous Jump

So huge is the problem that the Japanese have invited other countries to join in the project, and it is possible that Britain, West Germany and the U.S. will be involved. But not all the experts agree that Japan will succeed in cracking the fifth-generation nut. After all, it has a poor record of innovation. However, most experts realize that just by tackling the project in a systematic way, the Japanese computer industry will take an enormous jump forward.

Ed Feigenbaum, professor of computer science at Stanford University, who is recognized as one of the world leaders in computer science, told a conference in London recently: "If they [the Japanese] only achieve 20 percent of their goals, they will still be orders of magnitude ahead of where we are now." He also pointed out that the Japanese have decided to treat information as a resource as important as food or energy. They decided knowledge was something to sell," he said.

But Manny Lehmann of Imperial College in London, and formerly with IBM, is more worried about the implications of the project. He explained that although there are societal objectives — and technical proposals — there is no plan to check the adequacy of the systems.

This is a real problem where the data bases are concerned. For example, with so much data available, the government in any country will be in a position to wield enormous power over individuals. Under the guise of national security, that information could be used in all sorts of ways; with an unscrupulous government, Orwell's "1984" could come very quickly — although 1984 is a more likely date. Censorship could be computerized.

Then, with access to data could people really diagnose their own illnesses? Or would human nature make us misread the data? Certainly, professional bodies, such as lawyers and accountants, will try to prevent "their" data being made available to the general public. Clearly, the whole subject is fraught with difficulties, which demonstrate only too well that information can not only be sold but that it can command a high price.

However, the project goes on, and since it will go on for 10 years, there should be plenty of time to thrash out the ethics of what will become a new information business. In any event, if the project is successful, it will give the Japanese computer industry, which unlike the Japanese semiconductor industry, is still not strong outside Japan, a big lead. That could lead to dominance in the information business in the 21st century — except that before long, other fifth-generation projects are likely to spring up.



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Herald Tribune

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The Benighted Nations

From THE NEW YORK TIMES

After less than a year atop the United Nations glass house, Secretary-General Javier Pérez de Cuéllar is throwing rocks at the right targets. The nations are not united, he insists, even in a desire to avoid calamitous wars. The weak may complain, but those who feel strong, whether large or small, routinely ignore or defy the United Nations machinery for conciliation.

"We are perilously near to a new international anarchy," he asserts. Strike the word "new" and you have an admirable plea for reassessment. The trouble with his complaint, and with his remedies, lies in his perception that something has changed.

He writes as if "collective security" — a term borrowed from military alliances — once really promised global order. He writes as if the Security Council was once something more than an instrument for coordinating occasional consensus among the United States, the Soviet Union, China, Britain and France. He writes as if these "permanent members" stake their claim to veto and superior wisdom and morality on anything more than strength, and as if the organized use of force were not always the essence of nationhood.

The main problem of the United Nations is not disunity, a chronic human condition. The problem is that an assembly of nations called "sovereign," or subject to no higher

authority, can never be more than the sum of its members. Nations can behave inside the United Nations only as they behave outside, bartering interests, including their interest in peace. But, the Charter notwithstanding, they insist on the right to redress grievance by force, which is what distinguishes a nation from province, county, town or individual.

To yield that right, nations would need a common parliament to write laws, courts to interpret them and police to enforce them. They would have to disarm and pay taxes to a protecting authority instead. The United Nations cannot evolve into such a higher authority; it was designed to foreclose it, to let peoples relate only internationally, through the prism of their armies.

That does not mean that the United Nations is useless as mediator when any parties want to avoid war. But it does mean that anarchy — the absence of higher authority — is the desired, if undesirable, condition.

The secretary-general is to be commended for pricking the pretenses in his glass house. He is right to wonder whether even sovereign nations cannot be made to recognize their interest in his conciliatory services, to be spared a war or two. But he should always begin with the recognition that he presides over the shrine of nationalism, the very root of the condition he deplors.

Arabs Abetting Begin

From THE WASHINGTON POST

"Peace is a winner," Secretary of State Shultz insists, and we think he is right. But peace is not a quick and easy winner. To the Begin government's harsh rejection of the new American peace plan has now been added a soft rejection by the 20 Arab governments that assembled with the PLO at Foz.

Ignoring the American call for negotiating with Israel a West Bank territorial compromise and a self-governing entity "in association with Jordan," the Arabs at Foz simply demanded creation of a PLO state in all the territory lost in 1967. Their plan says not a word about negotiating with or recognizing Israel — legitimate Israeli demands. "Peace among all states of the region" (in that phrase lies the plan's only evident reference to Israel) would be guaranteed by — don't laugh — the United Nations Security Council.

American officials had hoped that at Foz the Arabs would start casting off their right-year-old insistence that the PLO alone speaks for the Palestinians. But Foz reaffirmed the earlier Rabat endorsement of a PLO political monopoly. Its practical meaning is to freeze Jordan out of any dealing for West Bank Palestinians, and thus to flout the key American strategy of drawing Jordan in.

The earlier Foz peace plan called for Arabs to accept "the right of states of the region to live in peace." This was too little for Israel but too much for Arab radicals, who shot the plan down. This time the radicals joined the drafting party. The new Foz plan relieves Arabs of any obligation to accept even the modest offering of King Fahd. Instead, Foz suggests that the Security Council "guarantee peace among all states of the region, including the independent Palestinian state." Why the toughening at Foz? The difference apparently was the Lebanon war, which enabled the PLO to play on the guilt and vulnerability felt by the Arab states for having abandoned the PLO in Beirut.

So Foz was a triumph for the PLO, but a triumph achieved at a price. The Arabs have a show of unity around a position that Israel rejects and the United States cannot support. If they stick to the Foz plan, they will have kicked away the tremendous offer that Mr. Reagan has made to help them achieve an imperfect but worthy goal.

Will they stick to Foz? Certainly Menachem Begin, for one, must hope so. The Foz plan ensures that the American proposals will not get off the ground. It bars an approach to the table by the one negotiating partner, Jordan, specified by the United States and suitable to Israel. It enables Israel to escape the onus of being the sole spoiler. The Begin government went into Lebanon believing that the operation would let it solve the Palestinian problem in its own restrictive, unacceptable way. The Arabs at Foz seemed intent on proving Mr. Begin right.

America, however, can no more take Foz as the last Arab word than it can take the Begin government's position as the last Israeli word. Mr. Shultz probably went too far in suggesting that there could be value in the Foz plan if it turns out (this is not clear from the text) that it involves Arab willingness to recognize Israel. The Egyptian-Israeli example once and for all demolished such formulas of evasion as "implied recognition" and "non-belligerence." It established direct talks and full normalization of relations as the sine qua non of peace in the Middle East.

Mr. Shultz was right, however, to emphasize a continued American search for an Arab negotiating partner. Comment by Labor Party leader Shimon Peres suggests that there may yet be an Israeli negotiating partner as well. The American proposals remain fair, necessary to pursue and, we believe, ultimately achievable. Last week we suggested that the Israelis were testing Mr. Reagan. So are the Arabs. The going will be rough.

Other Editorial Opinion

Views of the Middle East

In the end, the only formula for a Middle East solution will be for Israel to be given a convincing offer of peace, backed by the superpowers, in exchange for withdrawal from the occupied territories.

— The Observer (London).

The Arab world and the White House are now getting themselves closer to a position where their policies can converge with those already declared by the European powers. Then for the first time a concerted Western pressure can be exerted upon Israel. It would be surprising if, under such pressure, nothing moved in Mr. Begin's Jerusalem.

— The Sunday Telegraph (London).

President Reagan categorically opposes fresh Israeli settlements in the occupied territories. Mr. Begin is pressing ahead with them. Consequently, Israel's policies can now, for the first time, be implemented only in direct defiance of Washington. The Begin and Reagan policies are irreconcilable. The recognition of Israel at Foz gives President Reagan the basis for the assertion of American power without which no workable Israeli-Palestinian compromise can be worked.

— The Sunday Times (London).

Paris and Cairo should combine efforts so as not to be left on the sidelines, given the joint effects of the developing "pax americana" and of Saudi diplomatic jealousy, at a time when a capital phase of the 20th century's Near East question appears to be starting. Each of the two capitals is going to have to give the other serious support to meet the challenge that two rich and influential countries, the United States and Saudi Arabia, issue to them in a region of the world in which neither of those countries is geographically present. The French-Egyptian plan at the United Nations, to the extent that it stands midway between the Reagan and Fahd plans, might ultimately offer a possibility of compromise in the Near East.

— Le Monde (Paris).

Beyond its tangible results, the Foz summit has helped the birth of a new spirit characterized by its seriousness and restraint.

— Le Temps (Tunis).

At Foz we did not see any signs of attempts by the Arab states to outbid each other. This is an important development enabling Arab rulers to reach objective decisions.

— Al-Liwa (Beirut).

Foreign Policy Pricing

By Philip Geyelin

SOUTHWEST HARBOR, Maine — On the rare day here when you can't see the forest for the fog, the setting is suitable to dismal contemplation of Reaganomics, national insolvency and the potentially devastating effect both could have on American foreign policy.

By chance, two working papers were at hand. One was an essay by David Boaz, vice president of a think tank called the Cato Institute, who stipulates that the sanctity of military spending in Ronald Reagan's scheme of things cuts through all easy no-

tions of domestic economizing. Boaz states boldly what it would mean to eliminate budget deficits.

It would pretty nearly wipe out much government activity — including the Nuclear Regulatory Commission, the Forest Service, the Drug Enforcement Administration, the Immigration and Naturalization Service — and bite deeply into Social Security.

The Boaz essay is *reductio ad absurdum*, practiced presumably for its shock effect. For the full shock effect, however, you have to read a second paper by a Cato stablemate, Earl C. Ravenal, a professor of international relations at the Georgetown University School of Foreign Service.

Whereas Boaz shows how to save \$209 billion without touching the Pentagon, Ravenal acknowledges the unfeasibility of draconian assaults on government civilian services. He would find \$204 billion in economies in "the most egregious" feature of the 1983 Reagan budget: "the vast increase in defense spending."

What would be involved, Ravenal argues, would be a revolutionary reappraisal of the American role in the world, of U.S. obligations to allies, of the very definition of what is required for security.

There lies the strength of Ravenal's argument. You do not have to accept the prescription to be impressed by its honesty. He does not kid us with the promise of substantial savings by "eliminating waste." He does not play around with priorities on individual weapons systems, cutting out this new tank or that new aircraft.

Whatever the merits of a nuclear freeze, Ravenal does not include budget savings as one of them, because the "bad" weapons are not necessarily the most expensive ones.

On the contrary, the more popular "conventional" forces — the land divisions, tactical air wings and navy units — account for nearly 80 percent of the defense budget. They also constitute the essential underpinning of any ambitious, all-encompassing global policy designed to contain or deter Soviet expansionism worldwide.

"The argument is simple," Ravenal writes. "The defense budget is the price of foreign policy, and we can't afford our foreign policy."

So where do you retrench? Here again, Ravenal, like Boaz, is not one to play games. He rejects the selective abandonment of marginal commitments: "To be serious about cutting defense spending you must talk about America's major alliances — particularly NATO, which is costing us \$129 billion a year, half of our entire defense budget."

So Ravenal would switch, in breathtaking fashion, from today's policies of "deterrence and alliance" to what he calls "war-avoidance and self-reliance." He would shy away from involvement and intervention. He would take what some would consider to be frightening risks. For example, he is quite persuaded that any serious U.S. effort to defend the Gulf would cost as much as its loss, which is to say the loss of its oil. To a large extent, he would let Europe shift for itself.

Ravenal, then, would be perceived by many to be as far-out as Boaz. In any case, both analyses serve the same useful purpose: By their unblinking acceptance of the implications of real, honest-to-goodness budget balancing, they lay bare the fundamental contradictions in Reagan's fiscal, domestic and foreign policies. And they do so in a way that much of the argument over the celebrated Reagan tax increase or budget veto most emphatically does not.

Boaz is arguing that any effort to find the necessary deficit-reducing economies on the domestic side would transform American society, radically and unacceptably.

Ravenal is saying that assuring solvency — and security — will inevitably oblige those who would attention to the budget to turn their attention to the Pentagon. But he is also saying that it is downright disingenuous to think that you can balance the budget by defense retrenchment without matching retrenchments in foreign

The Either-Or Temptation in Poland

By William Pfaff

PARIS — The dilemma of Poland's military rulers is that there is no real solution to the country's internal problem so long as the external problem is not solved.

There are ways to temporize. The generals can repress the population, but thus provoke defiance. They can arrest people and stage provocations. They can try to bring about a sullen coexistence between authorities and people. These are not solutions. The fundamental political conflict remains, and violence is always close.

Externally, no arrangement is possible that does not assure Moscow that Poland will remain an ally, reliably guaranteeing the Soviet Union's forward military defense and its communication lines to Germany. Internally, Poland must remain a zone of political security. For these reasons Moscow has been unwilling, perhaps unable, to tolerate internal Polish reforms that would concede formal powers to a popular movement, Solidarity, not under the control of the Polish Communist Party.

But the outcome of this intransigence has been the collapse of the party's authority and the transfer of government to the one force in the country which, unlike Solidarity, possesses the material means to rule on its own and, potentially, to do as it pleases, the army.

Poland, like Turkey, Argentina, Chile and so many others before, was taken over by its generals. They are no doubt well-intentioned, in the fashion of generals. They would like to find a way to resolve Poland's problem which could win popular support, or at least acquiescence. In principle this should be possible. Social and economic reforms could permit Poles to move toward a level of material existence closer to that of the other Europeans. Arrangements are imaginable to permit people to manage their own affairs of community and workplace.

Ways to do this were being examined before Solidarity's repression last year. The reformers explored ideas which might have permitted Po-

land a degree of internal autonomy to set social and economic policy in a more democratic way, while scrupulously respecting the security concerns of the Soviet Union. One would think it obvious that the Soviets would be better off if the Polish people could run their own affairs, to their own satisfaction, so long as this was without overt challenge to Marxism and did not provide political or military assets to the West.

Such an arrangement has existed for 35 years in the north, in Finland, a case which was cited by Poland's reformers as providing, in certain respects, precedents relevant to their own country's needs. But the Soviet government has shown not the slightest sign of the imagination, or the realism, that would allow it to move in that direction.

Risks for All

The Soviet leaders are terrified of change, and comprehensively so, if not forgivingly so, since to begin to change is to launch a process which might run away from control. The risk is evident. The risks of refusing to change are not so easily seen. But they do not lie far into the future.

Without internal reform, Poland becomes less secure for the Soviet Union, and Poland's military government is drained of such legitimacy as it can presently claim. The Communist Party of Poland was never liked, but governments do not have to be liked to be obeyed and even to be conceded a right to rule. A government which does its job, makes the economy work, keeps the law even if it is a hard law, can earn acceptance, a grudging legitimacy. The Polish Communists failed to do that. The soldiers now try, but so far they are not succeeding. What then is to be done?

The Polish people can try to take matters into their own hands and change things themselves. Solidarity was their first attempt. Its leaders overestimated their own powers and underestimated the determination of their opponents.

But Solidarity has shown, during the anniversary days of the Gdansk accord at the end of August, that it has not been eliminated and that, with the church, it continues to enjoy moral authority. Solidarity's policy now is to try to force the government once more to negotiate with it. There seems little immediate chance of success.

There is a second possibility, which some Poles have already proposed. It is to recreate a parallel state, able in major respects to disregard the official structures and make its own decisions. The Poles did this during World War II, when there were an underground educational system, underground courts and an underground political and military structure. It was also done, although in a different way, in the 19th century, during Poland's partition, when rebellions against Russian control had failed and a policy of cultural Russification had been imposed from Moscow.

In the past there has been an influential idea in Poland of that nation as advance guard of Western civilization, fighting Russian obscurantism. "Samizdat" and other opposition statements in recent years have reiterated this tenuous and romantic notion that there is no "third way" — either Poland crusades for the West or it submits to Russia. The implicit argument is that the West has to fight and prevail — *tertium non datur*.

This idea reflects a persistent messianism and catastrophism in Polish thought, the notion that only a great and bloody upheaval can change the nation's situation. (Or, reject it, for there is a religious overtone to this, a conception of Poland as the sacrificial nation, the Christ of nations.) There already have been terrorist acts inside Poland, and now outside — the seizure of the embassy in Bonn. These are warnings.

If the people of Poland are left with no alternative to underground action, which would be inspired by apocalyptic nationalism, then the Polish people, the generals and the Soviet Union itself may truly be launched on a terrible course.

International Herald Tribune

In Fall, Some Men's Fancy Turns to Nonsense

By Tom Wicker

ROCHESTER, Vt. — The leaves are turning early this year in the White River Valley and on the slopes of the Green Mountains. Brandon Gap (elevation 2,170 feet) is already a harbinger of autumn, with beginning shades of red and gold glowing richly against summer's fading green.

Children are going back to school, too, in this most tranquil of states, lining up cheerfully by the roadside to wait for the buses that have long been commonplace here. This new growth of children, the annual return of the generations, as well as the turning of the leaves — in the beauty and timelessness of both — make fall the true season of renewal.

They also suggest how much nonsense the world more commonly works itself up about — in the 1982 elections, for example, which are being waged here as everywhere else. In Tuesday's primaries Vermont has a Republican candidate for the United States Senate, Thomas McGreggor, a pharmacist, who has confided to The White River Valley Herald that his decision to run was impelled by God, who, he said, appeared to Mrs. McGreggor in a dream.

With such endorsement, McGreggor opposes abortion, sex education, gun

control and secular humanism, while favoring prayer in the schools and a strong military buildup.

Reagan, while claiming no heavenly backing, did his part for "family values" last week by strongly endorsing Sen. Jesse Helms' anti-abortion proposal and by offering no opposition to the same Helms' plan to bring prayer back to the public schools by emancipating the Supreme Court.

In both cases, a president who respected constitutional precedent, orderly procedure and the equality of citizens would have insisted instead on a constitutional amendment. Reagan was apparently willing to put such conservative principles aside because, as a White House official puts it, issues like abortion and prayer in the schools are "motherhood and apple pie to this administration."

Translated, that means that with an election coming up, the president is trying to please the radical right, his base of support, by showing that he is one of them — that Ronald Reagan is still a Reaganite.

In the one case, the president of all the people urged senators to support the Helms proposal that federal

funds may never be used to pay for an abortion unless the life of the mother is at stake — not even, for example, in the case of a rape or incest victim or a woman too young to provide adequate care for a child.

This is not only senseless public policy — particularly for people like Reagan and Helms who bitterly resent "welfare mothers." It is also patently inequitable, leaving women able to pay for an abortion free to have one, while decreeing that those too poor to pay have to bear unwanted children or have the job done by a coast-hanger artist in a back alley.

A constitutional amendment, on the other hand, would impose a uniform rule on rich and poor alike, and would have the virtue, if passed, of demonstrated national approval. And it would openly repeal, rather than deviously undercut, a constitutionally reached Supreme Court decision.

Reagan's political grab on the Helms prayer bill is even less principled, since his own attorney general has already cited the plan as an "undesirable" attack on the Supreme Court. More eminent legal scholars — for example, Robert Bork, Rea-

gan's appointee to the District of Columbia Court of Appeals — called it unconstitutional.

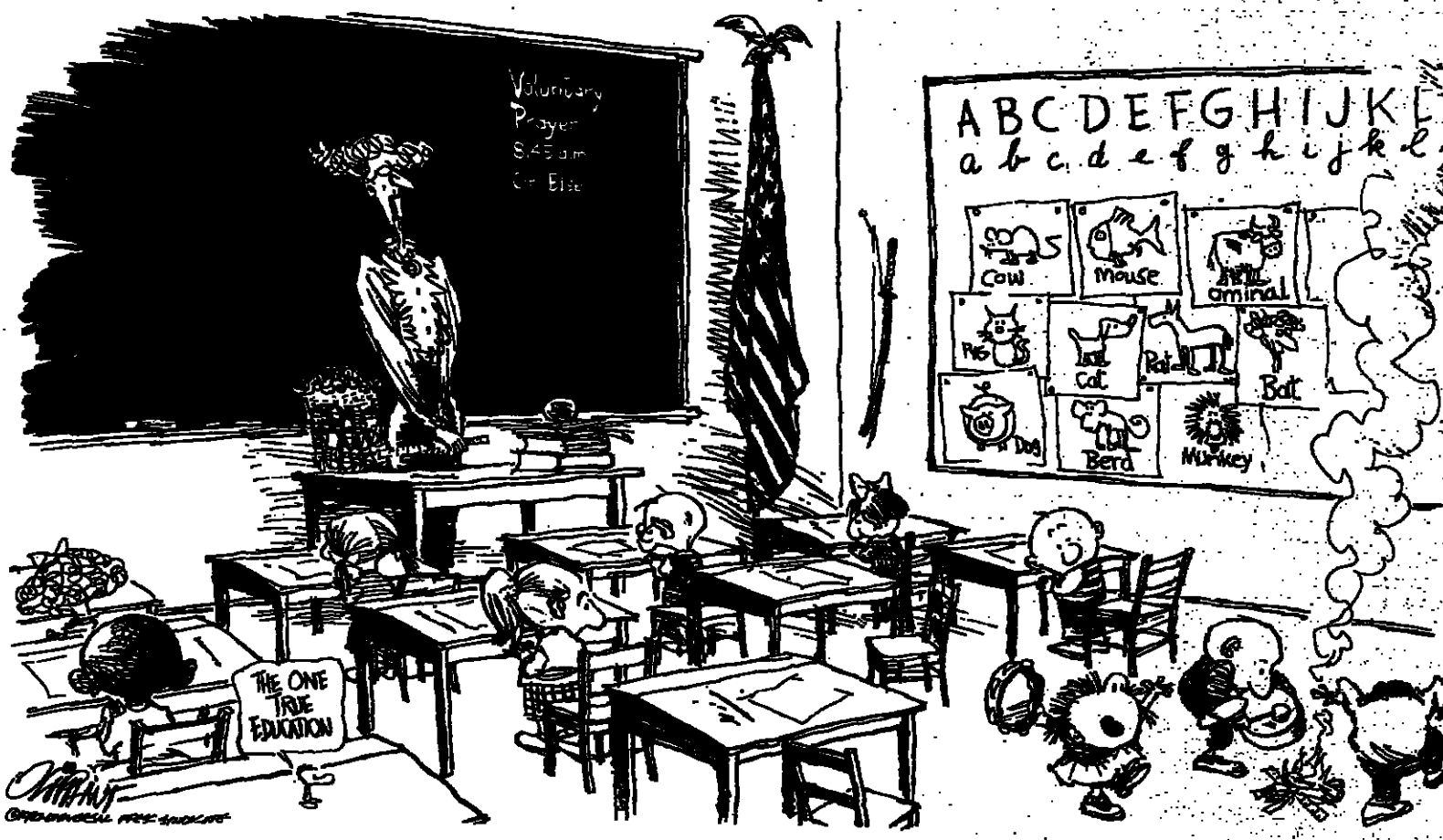
The Helms proposal — like his anti-abortion plan, a rider on a debt-limit measure — would strip the Supreme Court of jurisdiction in school prayer cases. Thus the court could not enforce its 1963 ruling that such prayers are unconstitutional, and a hedgepodge of state laws, making prayers in school legal here but illegal there, might in some form, but not in others, would be bound to remain.

The Helms plan would effectively amend the Constitution by majority vote of Congress rather than by the votes of two-thirds of each House and three-quarters of the states.

Reagan is supporting a constitutional amendment on the prayer issue, but his statement made clear that he would sign the Helms court-stripping bill despite the attorney general's opinion, despite its probable unconstitutionality and despite the radical precedents it would set for gutting the Supreme Court's authority.

So praise be for the children going back to school and the leaves turning in Brandon Gap. Some things endure, even if nonsense prevails.

The New York Times



'Class will confine its style of classroom prayer to the normal, proper, accepted, All-American Christian variety.'

The World Bank's Clausen Stands By the IDA

By Hobart Rowen

TORONTO — Now entering his second year as president of the World Bank, A.W. Clausen gets full marks from most of those who attended the international financial meetings here for carrying on the fight against poverty in the best Robert S. McNamara tradition.

Clausen seems to combine just as strong a sense of obligation to his task with the more detached perspective of a commercial banker. "If we have an ideology," he told me, "it's pragmatic economics." Borrowing governments "have to know that when we see it's do-able or not do-able, we are not swayed by politics."

At the start there was a good deal of suspicion about Clausen. World Bank bureaucrats who had to work for him feared that he knew little about poor countries. The developing countries were suspicious that he would turn the World Bank into a commercial bank. The U.S. Treasury thought that he really was too liberal.

Most of these concerns have been dissipated. Clausen has been learning about development problems, has not turned the institution into Bank of America East, yet has moved it toward more cooperative ventures with the private sector. And he is sensitive to the concerns of Third World countries that the private projects should be in addition to, not a substi-

problem is to try to keep alive the bank's soft-loan agency, the International Development Association. It is a tough job in view of what he calls Washington's effort to perform an "amputation" of the IDA's services.

For the poorest of the poor countries, the IDA is the major source of subsidized aid money. It advances money at no interest, with only three-quarters of 1 percent as a service charge over a 50-year term.

The Reagan administration at first tried to scrap U.S. contributions to this 20-year-old program. But, pressured by Alexander Haig and congressmen who understood that much IDA money comes back to the United States, Washington relented.

However, the money has been dribbled out in such a way as to leave the United States 40 percent behind its original schedule of contributions. And since other countries are entitled to drop their contributions proportionally, poor countries have been getting much-reduced sums at a time when they need money most. Last year, instead of a projected \$4.2 billion they received \$2.7 billion.

One of the ways Clausen confronted the problem was to commission an analysis of the IDA's record — a frank and honest one that, he says,

have reviewed their history and then published case histories of failures.

For example, in 1970 the IDA signed an agreement for a \$5-million loan to irrigate 12,000 hectares in Madagascar. Within 10 years, an enthusiastic IDA team said, rice output would be doubled. But after five years production had gone up only a little, inequalities had grown and social tensions were on the rise. In short, the program had failed.

But the World Bank makes its

point that the failures are the exception, and that overall the IDA has been a great success.

Given U.S. reluctance to put up a full share of its money, Clausen knows that in the years ahead the shape of the IDA program will have to change. It will no longer be possible to lend at zero-percent interest over such a long term. Recipient countries will have to pay some interest. But it will still represent a substantial subsidy compared with commercial market rates.

The Washington Post

LETTER TO THE EDITOR

Why Soviet Terms?

Regarding "Soviet Union Gives Up on Reagan" (11/7, Aug. 28):

Is the message in Moscow "that the Soviet Union has given up hope on getting anywhere with the Reagan administration" necessarily such bad news? If "getting anywhere" implies extracting the kind of concessions we have become accustomed to recently, shouldn't President Reagan be praised for refusing on Soviet terms?

Consider the SALT agreement and the endless disarmament talks that have resulted in Soviet strategic and

the United States and the U.S.S.R. The Helsinki agreement recognizes the Soviet occupation of the Baltic states and establishes a one-way "movement of people, ideas and information," namely, the Soviet way. The other way around is "unlawful interference in internal affairs."

Trade agreements allow Western taxpayers to subsidize the Soviet economy and pay for the privileges of becoming dependent on Soviet good will for their energy supplies.

The détente rules allow the Soviet invasion of Afghanistan and the imposition of martial law in Poland.

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Investors Rush To Top-Rank U.S. Firms

By Carl Gewirtz

PARIS—The Eurobond market went on an emotional binge last week with investors dumping bank bonds, floating-rate notes, fixed-coupon bonds, certificates of deposit—and rushing to place their money in top quality corporate investment bankers, quick to catch a trend, launched \$500 million worth of bonds between mid-Thursday and Friday at terms that one of them candidly admitted was "sheer exploitation" of investors' fears about the safety of the banking system.

Investors were also dumping Danish paper on rumors of an impending downgrade by the rating agencies, and South American issues on fears of rescheduling. Also heavily sold, although bankers were unable to offer any explanation, were the bonds of the European Investment Bank and the European Coal and Steel Community.

EUROBONDS

First off the mark was a \$150-million deal for IBM World Trade. The fact that the 12½-percent coupon was the lowest seen in 18 months for a 10-year bond or that the return was more than half a point less than could be earned by buying U.S. government paper in New York was no cause for pause, and within hours the size of the issue was increased to \$200 million. Seven-year Treasury bills, for example, were yielding 13.05 percent.

Notable success on Friday, IBM's \$200 million deal, was followed by a \$100 million offering by Coca-Cola, General Electric and R.J. Reynolds each launched \$100 million of seven-year bonds bearing coupons notable for their size.

Gone suddenly were market worries about the rising U.S. money supply and the impact this might have on interest rates, or the size of the U.S. deficit which Congress's rejection of a presidential veto of a \$14-billion spending bill, or the rate of inflation after Washington announced that producer prices last month rose 0.6 percent, which was slightly more than expected.

Especially striking was the fact that bond prices were declining all week. To bring new issues at such aggressive pricing in such a market served to underscore the unique orbit of such credits as IBM.

But by the end of the day, with rumors of an impending \$100-million issue for Exxon rolling the market, the euphoria turned sour and prices of the new issues began to sink.

IBM Does Best

IBM held up best, quoted at 99½. Coca-Cola, also rated triple-A, slipped to 97½ for a yield of 12¼ percent. GE Credit, rated triple-A by Standard & Poor's but double-B by Moody's, traded at 98 for a yield of 12¼ percent. Reynolds, bearing the highest coupon of the lot was the least well-received, quoted at 98¼ for a yield of 13½ percent.

Meanwhile on the secondary market, the paper of top-class U.S. banks was yielding 15 percent and double-A corporate credits such as De Post were trading to yield 13¼ percent. Bankers insisted that there is a special niche for triple-A U.S. corporate paper but that the volume of business launched last week was too big.

The new issue for Banque Nationale de Paris, launched amid the flight from bank issues, was especially hard-hit and was quoted at 97 for a yield of 14.2 percent.

30% on Mexican Issues
A floating-rate note for the Dutch financial subsidiary of Grindlays, guaranteed by the British parent bank, is obviously pitched to the professional market as it is being sold in units of \$100,000.

In the Deutsche mark sector, where the volume of outstanding Latin American paper is more than triple the amount sold in Eurodollars, the sell-off produced dramatic results with yields on Mexican issues breaching 30 percent. Yields on Argentine and Brazilian paper ranged from 15 to 25 percent, dealers said.

The wide variations, they explained, resulted from whether paper was actually being sold. "Where selling pressure exists, the price falls away because no one is buying," one dealer said. "Where no selling is actually taking place, dealers are simply marking down their prices."

Mexico, with some \$5 billion in bonds outstanding, has had the widest access to international capital markets of any Third World issuer. About \$3.5 billion is in dollars, most of it floated in the U.S.

(Continued on Page 17, Col. 3)

NEW EUROBOND ISSUES

Borrower	Amount (millions)	Maturity	Coupon %	Price	Yield At Offer	Terms
Banque Nationale de Paris	\$150	1989	13¼	100	13¼	
Coca Cola Int'l Finance	\$100	1989	11¾	99½	11.91	First call at 101½ in 1987.
General Electric Credit	\$100	1989	12	99½	12.11	First call at 101 in 1987.
Grindlays Eurofinance	\$100	1992	+ ¼	100	—	Over 6-month Libor. Minimum 5¼%. Sold in units of \$100,000.
IBM World Trade	\$200	1992	12¼	100	12¼	First call at 101½ in 1990.
Bank of America	\$200	1997	8½	—	—	
Bank of America	\$200	1989	14½	99½	14.50	
Bank of America	\$200	1989	12½	100	12½	
Bank of America	\$200	1989	13¼	99½	13.25	
Japan Synthetic Rubber Co.	¥50	1988	7½	100	7½	Each 5,000-Deutsche mark note with 2 warrants exercisable into 1,000 shares at a price yet to be set.
City of Johannesburg	¥50	1986	10	99½	10.16	Non-callable.
McDonald's Finance	¥100	1992	8¼	100	8¼	First call at 102 in 1988.
New Zealand	¥150	1989	8¼	open	—	Terms to be set Sept. 14. First call at 101 in 1987.
Deutsche Bank	DM100	1994	10½	open	—	Price to be set Sept. 15. Non-callable.
Gaz de France	NK100	1987	13	open	—	Price to be set Sept. 15. Non-callable.
Deutsche Bank	DM100	1989	13	99	13.00	Price to be set Sept. 15. Non-callable.
Deutsche Bank	DM100	1989	+ ¼	100	—	Price to be set Sept. 15. Non-callable.

Higher U.S. Rates Seen Following M-1 Growth

By Michael Quint

New York Times Service

NEW YORK—With Friday's announcement that the basic money supply in the United States had increased by \$900 million in the week ended Sept. 1, the M-1 measure has now risen for six consecutive weeks, and analysts say the prospects appear greater that there will be a slight rise in short-term interest rates.

The six-week rise of \$6.6 billion, to a level of \$457.1 billion, puts M-1 above the Federal Reserve's growth targets for both the current quarter and the year. The more broadly defined money supply measure known as M-2, which the Fed reports monthly, averaged \$1.95 trillion in August and is also growing faster than the central bank's targets.

U.S. CREDIT MARKETS

"The above-target growth completely eliminates the possibility that the Fed might ease further," one government securities trader said. He said it was now possible to envisage a modest increase in short-term interest rates later this month.

The Fed's annual growth target for M-1, which it defines as currency plus all types of checking accounts, is 2½ percent to 5½ percent. At \$457.1 billion, the level of M-1 is about \$1 billion above the level consistent with a 5½-percent annual growth rate.

For M-2, which the Fed defines as M-1 plus small savings accounts, as well as certain overnight bank borrowings and money market mutual funds, growth is well above the annual target of 6 to 9 percent.

The \$1.95-trillion level of M-2 in August equals an annual growth rate of about 10.4 percent above the fourth-quarter average and a 14.2-percent annual growth rate over the July average.

Although Fed officials have said that above-target growth will be tolerated for a while, analysts have concluded that recent growth plus large increases predicted for the weeks ended Sept. 8 and Oct. 6

will prevent the Fed from encouraging lower interest rates as it did in July and early August. Many say that short-term rates might rise in coming weeks as the high level of money supply causes banks to bid more aggressively for the reserves they must keep on deposit at the Fed.

U.S. Consumer Rates

For Week Ended Sept. 10

Passbook Savings 5.50 %
"All Savers" Certificates 6.15 %
6-Month Savings Certificates 6.86 %
Tax-Exempt Bonds 10.75 %
Bond Buyer 30-Day Index 10.75 %
Money Market Funds 9.9 %
Domestic 7-Day Average 9.9 %
Home Mortgage 17.82 %
FHLB average

Joseph Bench, a vice president at Shearson/American Express, said that the funds rate might rise to 10½ percent or 11 percent by the end of this month because of the anticipated increases in the money supply. "There should be no overt Fed tightening," he said, because the Fed will wait to see if the increase in M-1 for the week ended Sept. 8 is reversed in following weeks.

Although there is widespread concern that short-term rates will rise along with the money supply, analysts are not convinced that the increases in rates or money will be long-lasting.

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U.S. CREDIT MARKETS

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Agee Bets All the Chips In Battle Against Gray

Washington Post Service

WASHINGTON—In the board game that William M. Agee plays, the chips are billion-dollar companies.

Mr. Agee, 44-year-old chairman of Bendix, triggered a wild tag-team merger battle last month with a surprise move to take over Martin Marietta, the aerospace and construction-materials company based in Bethesda, Maryland. And it looked for the first week as if Mr. Agee and Bendix could not lose.

Now, after a week of sudden reversals, he is on the defensive in a two-front struggle against Martin Marietta and its 11th-hour ally, United Technologies of Hartford, which are trying to take Bendix out of Mr. Agee's hands and split it up between them.

There will surely be more twists, but Mr. Agee's gamble was threatening to backfire disastrously. In Harry J. Gray, chairman and chief executive of United Technologies, Mr. Agee faces a powerful adversary.

A week ago, analysts were calling Mr. Agee a genius for springing the attempt to take over Martin Marietta. By offering to buy a controlling majority of its stock for \$43 a share (later raised to \$48), Bendix had made shareholders an irresistible offer for stock that was trading in the thirties. And even if the move were thwarted, Bendix would own millions of shares of Martin Marietta at bargain prices, analysts noted.

Analysts Fault Agee

Now, analysts are faulting Mr. Agee and Bendix for not building a better defense against the kind of counterattack Martin Marietta launched with United Technologies' help.

"Somebody didn't do their homework," Joseph S. Philippi of Dean Witter Reynolds said last week.

"I think he stuck his neck out," said another analyst, requesting anonymity.

The stakes in this battle are probably not intimidating Mr. Agee, who, soaring through the business ranks, has made his mark as a bold corporate mover-and-shaker armed with apparently unshakable idealism and confidence.

Even Mr. Philippi did not see Mr. Agee giving way to panic. "I



Harry J. Gray



William M. Agee

think he's acted with a pretty cool hand so far," he said.

And Mr. Agee, encountering a reporter in Bendix's New York City office Friday, seemed to be breathing easily. "I only worry about the enhancement of shareholder values. When all is done, we'll make it," he said.

From the beginnings of his career, Mr. Agee has been involved in remodeling companies to fit management strategies.

After graduating "with distinction" from Harvard's business school, he joined Boise Cascade in his home town, Boise, Idaho, in 1963 and rose to chief financial officer in 1969. In the 1960s, Boise Cascade was one of the leading conglomerate wonders of Wall Street, branching from its base in the lumber industry into home building, recreational vehicles, engineering, publishing and other fields.

Move to Bendix

The recession in 1971 brought this structure crashing down, however, as the company's stock collapsed from a high of 80 in the late 1960s to 10 in 1972.

Chastened, Boise Cascade's chairman, Robert V. Hansberger, returned the company to timber and building materials.

The experience, however, did not deter Mr. Agee from further corporate remodeling. His financial and business skills attracted

the attention of W. Michael Blumenthal, chairman of Bendix (and later, secretary of the Treasury in the Carter administration), who hired Mr. Agee as chief financial officer in 1972.

Mr. Blumenthal vaulted Mr. Agee over the ranks, making him Bendix's president in 1976. When Mr. Blumenthal left for Washington, Mr. Agee took command of Bendix at the age of 38.

Mr. Agee soon set to wheeling and dealing. His raid on Martin Marietta is being financed in part by a huge selloff of Bendix assets in 1980. The sale of the company's forest products operations produced \$425 million, and was followed by the sale of Bendix's holdings in Asarco for \$336 million.

Then Mr. Agee turned around and spent \$256 million to repurchase four million shares of Bendix's own stock, thus beefing up Bendix's ability to swap its shares for another company's.

His goal, he said, was to base Bendix's future in high-technology ventures, saying the company must spread its research investments into uncharted areas of technology.

Mr. Gray, 63, is no stranger to the business of building a high-tech company. United Technologies counts among its subsidiaries Pratt & Whitney, which produces jet engines; Mostek, which makes

(Continued on Page 17, Col. 3)

UAW Eager to Regain Lost Ground As Chrysler Talks Deadline Nears

By Kathy Sawyer

Washington Post Service

WASHINGTON—With a deadline of Tuesday midnight fast approaching, contract negotiations between Chrysler and the United Auto Workers face a possible logjam over benefit provisions, and union officials say a "confrontation" is possible.

Restive union members, after three years of wage and benefit concessions that saved the company an estimated \$1.7 billion, are pressing their leaders hard to catch back up with workers at Ford and General Motors, who earn at least \$2 an hour more.

But the company is determined to hold the line on its labor costs. If the workers want more money in their paychecks, Chrysler bargainers argue, they must take it out of items such as health or retirement benefits.

The company's spectacular and well-publicized comeback has heightened workers' expectations.

Brussels Textile Talks Are Viewed as Crucial

By Peter Gumbel

Reuters

BRUSSELS—Third World textile exporters and West European consumer nations begin a crucial round of negotiations here Monday that may affect the future of the world trade in textiles.

The 10-nation European Community, the largest market for Third World textiles, is seeking to break a deadlock with its key suppliers over new four-year import agreements.

But its demands for strict limits on the amount of clothing it receives have been attacked bitterly by exporting nations as being intransigent and protectionist.

The talks are being held under the guidelines of the Multi-Fiber Arrangement. The community has threatened to quit the MFA if satisfactory trade levels are not set this year.

Collapse of Agreement

Diplomats said such a move could herald the collapse of the whole international agreement, which governs 80 percent of the world textile trade.

It would also damage relations between Western Europe and developing nations, they said.

A first round of negotiations, which ended in July, produced new agreements between the community and 14 developing nations, but officials in Brussels acknowledge that the 14 were relatively minor exporters.

Yet industry analysts say the company cannot give much ground without jeopardizing its fragile recovery.

'Guerrilla Warfare'

UAW President Douglas A. Fraser, who entered the negotiations for the final, critical phase that began Thursday, has said repeatedly that he expects a new agreement can be reached before the contract expires.

But he is surprised and worried, he has said, about the company's unexpected "hardened stance" on issues such as health benefits and pension costs.

If the company tries to stall, Mr. Fraser has vowed that the union will retaliate. Aware that a full strike would only cripple the company again, Mr. Fraser threatens to use "guerrilla warfare," striking various Chrysler plants for a day at a time.

Chrysler chairman Lee A. Iacocca expressed concern about the slow pace of bargaining. "We've

got to get going," he said. "We'd like to get it settled by D-Day, Sept. 14."

The contract covers about 83,000 Chrysler workers, 40,000 of them laid off. The U.S. government's Chrysler Loan Guarantee Board must approve any settlement.

Among the union's demands are a pay increase and the restoration of cost-of-living protections that workers sacrificed earlier. The UAW has also proposed a two-tier contract, with the wage arrangements effective for one year and a longer commitment on other issues.

The key sticking point so

Provided by **White Weld Securities**, London. Tel: 623 1277, a Division of **Financiere Credit Suisse - First Boston**

[illegible]

Asst	Security	%	Not	Mdls	Yld	Avs	Low	Cur
				Price	Rate	Low	Cur	
1	ASIA/PACIFIC							
2	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
3	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
4	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
5	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
6	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
7	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
8	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
9	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
10	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
11	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
12	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
13	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
14	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
15	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
16	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
17	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
18	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
19	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
20	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
21	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
22	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
23	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
24	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
25	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
26	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
27	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
28	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
29	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
30	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
31	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
32	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
33	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
34	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
35	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
36	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
37	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
38	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
39	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
40	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
41	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
42	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
43	Australia	10/1	10/1	10/1	10/1	10/1	10/1	10/1
44	Australia	10/1	1					

[illegible]

\$ 15	Quebec Hydro-Elec.	9/14/ 95	Oct	84/12	1338	3428	9.89	12/12
\$ 30	Int. Mining Dev Bank	9/14/ 95	Oct	92/	2861	2555	9.95	12/12
\$ 10	World Foods Overseas	5/24/ 95	Nov	95/	2265	2828	12.52	12/12
\$ 15	Portugal	5/24/ 95	Feb	79/12	2611	2678	10.03	12/12
\$ 10	Poland	5/24/ 94	Jun	92/	2601	2678	10.03	12/12
\$ 20	Public Power Corp.	8/12/ 94	Dec	93/	1747	2444	9.88	12/12
\$ 15	Prefranco	8/12/ 94	Dec	72/12	1747	2444	11.77	12/12
\$ 15	Sri Lanka	8/12/ 94	Dec	72/12	1747	2444	11.77	12/12
\$ 15	Slovak Republic	8/12/ 94	Dec	72/12	1747	2444	11.77	12/12
\$ 100	Swedish Livland	7/12/ 97	Jan	97/12	1747	2444	11.11	12/12
\$ 175	Peugeot Citroen Psa	9/24/ 97	Feb	76/	1745	2427	13.97	12/12
\$ 80	Ready Mixed Concrete	9/24/ 97	Oct	80/12	1745	2427	13.97	12/12

\$50	Dorrie Petroleum Ltd	18	34 Jul	48	22.89	24.75	24.85
\$125	Permeth	11 1/2	18 Jul	10	22.89	24.75	24.85
\$50	Alco	8 3/4	17 Dec	82	17.95	20.11	17.95
\$50	Gensior	14 3/4	17 Apr	87	18.95	19.55	17.85
\$50	Howden Alsea Fin Ex/Inv	9 1/2	31 Jun	87	14.85	14.24	14.10
\$50	Macmillan Biotech	9 1/4	10 Mar	60	17.42	18.81	18.85
\$50	Hudson Bay	12 1/2	1 Feb	87	17.45	18.85	18.85
\$50	Gensior	10	29 Jun	70	17.40	18.50	14.20
\$5 60	Consolidated-Bathurst	12 1/2	18 Nov	97	18.32	18.37	18.20
enb 60	Hudson Bay	11 1/2	18 Apr	72	17.17	18.55	14.40
\$70	Enb	10	11 Feb	87	17.15	18.55	14.40
\$50	Royal Bank of Canada	11	16 May	73	14.75	14.60	13.40

\$25	Turbo Resources P-Cv	12/12	10	Nov	23	57.47	54.25
\$75	Massey-Ferguson	13/12	91	Jun	38	27.62	28.98
\$50	Dame Petroleum Ltd	13/12	92	May	58	22.58	22.58
\$50	Dame Petroleum Ltd	10	94	Jul	67	24.75	24.75
\$175	Hecla	18/12	91	Oct	87	79.44	79.44
\$25	Genstar	18/12	93	Oct	94	19.67	18.62
\$75	Pemex	17/12	86	Nov	95 3/4	11.99	13.26
\$25.50	Prov Of Quebec	18/12	91	Oct	100	16.22	14.95
\$25	Wyndel Inc	17/12	84	Nov	112 1/2	14.18	14.18
\$25	Canadian Imperial Bk	18/12	93	Jun	95	17.66	16.51
\$25.40	Wendover-Sears Assoc	16/3/4	90	Apr	102	12.84	12.84

AUSTRALIA							
dm 100 Australia	9/22	99	99/24	8.30	8.30	8.30	8.30
dm 100 Australia	7/14	15	99/17	8.31	8.34	7.98	
dm 100 Australia	6/24	33	99/17	7.93	7.94	7.94	
dm 100 Australia	6/17	18	99/14	7.92	7.93	7.93	
dm 100 Australia	7/14	99	101/16	8.61	8.63	7.94	
dm 100 Australia	99	99	101/14	7.93	7.97	8.31	
dm 100 Australia	8/14	97	97/10	8.00	7.76	8.09	
dm 100 Australia	6	99	99/17	7.98	8.45		
dm 250 Australia	5/24	10	99	7.98	8.14	8.30	
HOLLAND							
dm 125 Holland	9	99	99/16	8.95	8.95	8.99	
dm 100 Holland	1/12	70	99/14	8.95	8.95	8.99	
dm 100 Holland	7/14	99	99/16	8.95	8.95	8.99	
dm 100 Netherlands Canada	7/14	99	99/14	8.95	8.95	8.99	
dm 100 Netherlands	8/14	99	99/14	8.95	8.95	8.99	
dm 100 Netherlands	8/14	99	99/14	8.95	8.95	8.99	
dm 100 Netherlands	8/14	99	99/14	8.95	8.95	8.99	
dm 250 Short term, Florence	6/14	99	99/14	8.95	8.95	8.99	

Bankers See Problems In Interbank Market

(Continued from Page 1)

countries have been reducing both the size of their deposits and borrowing from the banks.

At the same time, the billions of dollars deposited by individuals and institutions when short-term interest rates were high and rising is moving out of the banks now that short-term rates are declining. The shift is being accelerated as depositors seek not only to lock in

SYNDICATED LOANS

high coupon bonds but also to reduce their exposure to banks as worries about the banking system mount.

This is especially evident in the bond market, where bank-issued paper has been under severe pressure all week as investors sold those issues to buy corporate debt. It was also evident in the market for certificates of deposit.

Widespread

Historically, interest paid on CDs has run from 1/4 to 1 1/2 percentage points over comparable maturity U.S. Treasury bills. But the difference now is about 2 1/2 points between six-month bills and six-month CDs in New York. Interest on EuroCDs is about half a point over New York CDs. The widening spread between CDs and T-bills is yet another reflection of the tarnished image of banks and a measure of how eager investors are to move into what is perceived to be quality paper.

In normal conditions, banks borrow from one another at the London interbank offered rate. The only exception is for the dozen or so biggest banks of the world that, flush with cash and using their standing to make a profit, begin to accept deposits below Libor.

This list of top-class banks has been shrinking as, first, the French fell out, following the Socialist's coming to power and the worsening economic conditions in France, and then the West Germans — ex-

cept for Deutsche Bank, which is rarely seen in the market — lost their allure as a result of their heavy portfolio of loans to Eastern Europe and a generally poor earnings performance. Recently, three U.S. banks left the magic circle after reporting large domestic loan losses or very large exposure to Mexico.

For the smaller banks, tiering causes problems because the hundreds of billions of dollars of Euroloans syndicated among banks bear interest at a fixed margin over Libor. Over the past few years, these margins have been razor-thin. Banks that rely on the interbank pool to fund their loan participations and that now pay a premium over Libor to get money risk losing any profit from participating in low-margin loans.

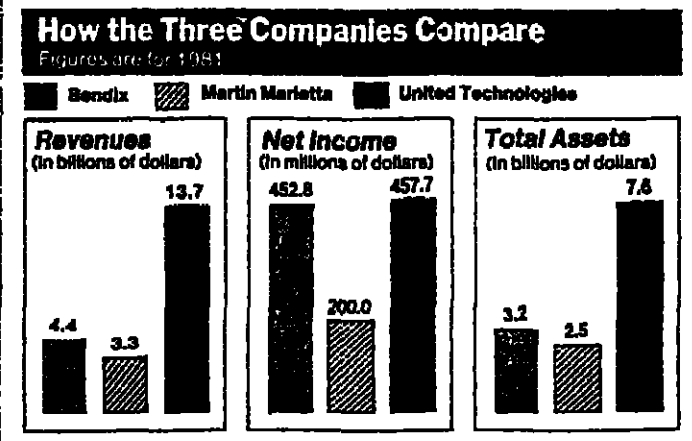
In addition to the premium some banks are now paying for deposits, the amount of money is not always available for the duration sought, bankers report, forcing some banks to borrow one-month money instead of six-month funds and thus mismatching maturities on money borrowed and money lent.

Mismatched Funds

This is not fatal as the rate on one-month money currently is a comfortable 1 1/2 points below the six-month rate — by far the widest use base rate for syndicated loans. But that can easily turn against the banks. As recently as last April the situation was reversed and over the past two years there have been long periods when rates were inverted and one-month money was more expensive than longer-term funds. A return to that situation would cause banks with mismatched interest positions to lose money on their loan portfolio.

Bankers believe that the current steep yield curve is itself a reflection of the market's nervousness. Normally, the curve would indicate that interest rates are expected to be rising three or six months hence. "The steepness of the yield curve can be attributed to credit considerations, liquidity problems," said a leading dealer in the deposit market. "Lenders prefer to remain liquid — keeping short-term rates low — while borrowers look for scarce six-month money, pushing rates up."

More testing is the potential liquidity problem. A London-based American banker said that the list of banks to which his institution is willing to lend is becoming shorter and the amounts available are smaller. "The interbank market is only liquid when everything is all right," said the banker. "When the time comes that all the big boys in the interbank market have no natural excess liquidity but need the money themselves, obviously there is nothing for the banks who live off the interbank market. Where should it come from? No one should be surprised if things become a little rocky."



Agee Wagering It All In Quest for Marietta

(Continued from Page 15)

microchips; Hamilton Standard, a diversified supplier of electronic equipment; Norden Systems, which specializes in electronic defense equipment; and a number of companies that the group lumps together as its "building systems sector" — Carrier, which makes air conditioning systems, and Otis Elevator.

Mr. Gray, whose hand has guided United Technologies for about a decade, has kept as his paramount desire the building of a group that supplies products that are resistant to price wars and fit together into packages.

He joined United Technologies in 1971, became chief executive officer a year later, and was elected chairman in 1974.

Before coming to United Technologies, Mr. Gray was senior executive vice president of Litton Industries. He was in charge of the marine group, industrial systems and machine tools.

Last week, some analysts said Mr. Agee had failed to anticipate the ferocity he would encounter from the "old guard" leadership of United Technologies and Martin Marietta. "There's an awful lot of naiveté associated with some of the moves that have been made," said one Wall Street analyst.

Emir Assails Breaking of OPEC Limits

Restored

KUWAIT — The Emir of Kuwait criticized some other OPEC countries Sunday for creating a world oil crisis by breaking the exporter group's production and pricing agreements.

Sheikh Jaber al-Ahmed al-Sabah, whose country has been hit badly by a slump in world oil demand, also blamed what he called an unexpected drop in consumption in industrialized countries for the oil glut.

Kuwaiti newspapers quoted the Emir as saying that the drop in OPEC revenue meant some development projects in Mideast oil states would be scrapped.

Production in the 13-member Organization of Petroleum Exporting Countries has slumped to less than 17 million barrels a day from a peak of more than 31 million in 1979, as recession in the industrialized nations and a switch to alternative forms of energy have cut demand.

Undercutting Prices

Oil ministers agreed on production quotas earlier this year to defend prices against the glut, but industry sources have said a number of countries are exceeding their assigned levels while others, including Iran and Libya, are undercutting official OPEC prices to boost sales.

Sheikh Jaber, in a rare public rebuke to fellow members by an OPEC head of state, said some countries "did not observe production levels or price differentials, but increased their production and

lowered prices, which created an imbalance in the oil market."

He said industrialized countries had "lowered their consumption of oil in a way we had not expected, which created an oil surplus in the world market and a decline in the income of oil exporting countries."

Oil experts said Kuwait's production had fallen below 800,000 barrels a day from an official target last year of 1.25 million barrels a day. The country is facing a budget deficit in the current fiscal year.

Some Increase Seen

Sheikh Jaber said world oil demand might increase in the future, "but not to the extent some imagine."

He added that decreased OPEC revenue would have an impact on development in Kuwait and other countries in the area. "Some countries have already scrapped some projects," he said.

Sheikh Jaber said that Kuwait, which has sharply raised local gasoline prices to curb soaring demand, was also considering raising its electricity rates.

Meanwhile, Mana Said al-Oteibi, the United Arab Emirates oil minister, has urged OPEC to freeze its base price until the end of 1985 to revive what he called dangerously low demand, the Middle East Economic Survey said in its latest issue.

The journal, based in Nicosia, quoted Mr. al-Oteibi as telling a recent energy seminar in England that the \$34-a-barrel benchmark price should not, however, be re-

duced because of the risk it would spark a price-cutting war.

At talks last November in Geneva, OPEC oil ministers froze the benchmark price until the end of this year. Ahmed Zaki Yamani, the Saudi oil minister, has advocated an extension of the freeze through the end of 1983.

Mr. al-Oteibi said that OPEC was operating at minimum capacity. "The only solution is to stimulate demand, and the best way to do that is to continue the price freeze for another two or three years," he said.

Mr. al-Oteibi, who is chairman of OPEC's Market Monitoring Committee, also said he favored keeping the group's 17.5-million-bpd output ceiling, to defend prices until demand picked up. At that time, he said, production could be allowed to float.

Kuwait Halts Futures Dealings

Kuwait on Sunday temporarily halted all futures dealings on the country's stock market in an attempt to ease the severe crisis sparked by plunging share prices.

The official Kuwait News Agency said the decision to ban futures dealings, in which post-dated checks are used for payments, was taken by a committee led by Commerce Minister Jassem al-Mar-

zouk. It did not say how long the ban would last.

The fall in share prices, largely attributed to fears about the continuing war between Iran and Iraq, has resulted in many investors being unable to honor post-dated checks, most of them written at a time when prices were much higher.

Checks with an estimated face value of four billion dinars (about \$14 billion) will mature in the next few months.

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Price	Nov.	Feb.	May
400	25.00-26.00	27.50-28.50	—
450	19.50-20.50	22.00-23.00	—
500	14.50-15.50	17.00-18.00	—
550	9.50-10.50	12.00-13.00	—
600	4.50-5.50	7.00-8.00	—

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Auditors Settle In Suit by NSM

New York Times Service

NEW YORK — Peat, Marwick, Mitchell & Co. has agreed to pay nearly \$6.4 million to the former shareholders of National Student Marketing, settling the last major portion of a 12-year-old class action against the former marketing company and its auditors and legal counsel. The company's high-flying stock collapsed amid disclosures of securities fraud in 1970.

The lawsuit, on behalf of all those who owned NSM stock between April 1968 and February 1972, was scheduled for trial this fall in Federal District Court in Washington. All the major defendants have now settled out of court, however, so the action is unlikely to be tried.

U.S. Agency Reverses Self, Backs More Bank Disclosure

By Jeff Gerth

New York Times Service

WASHINGTON — The decision of the Office of Management and Budget has decided to accept, after initially disapproving, plans by federal regulators to require

much more disclosure of bank financial data.

The disclosure effort comes at a sensitive time for the nation's banks: Public confidence appears low and financial managers are more careful where they place

funds. Furthermore, the trend toward financial deregulation is

placing more emphasis on the role of information as a discipline in the marketplace — in other words, higher-quality banks will find it easier to attract depositors.

Eurobond Investors Dumping Bank Paper

(Continued from Page 15)

market, and the remainder divided in eight currencies of which the DM component — some 900 million DM — is the largest.

International organizations such as the World Bank have been prompting bankers to help open long-term capital markets to Third World borrowers. But bankers now believe that such access is closed for the foreseeable future as a result of the spreading financial woes in those countries.

South Africa, which has always paid a hefty premium to borrow, is currently in the market for 50 million DM, but the Johannesburg issue, small as it is, has not been well-received despite the coupon of 10 percent and discounted offering price.

New Zealand, by contrast, had no trouble selling its seven-year notes bearing a coupon of 8 1/2 percent, nor did McDonald's, benefiting from the scarcity value of U.S.

corporate issuers in marks. The terms were sharply below the 8 1/2 percent Electricite de France paid last week for 10-year money and the 8 1/2 percent the Austrian Kontrollbank paid for seven-year funds. Those issues ended last week at a slight discount of 99 1/2 after being offered at par.

European investors looking for a higher return than offered on DM bonds but for some of the safety of Europe's potentially strongest currency, were buying Gaz de France's paper denominated in European currency units — the DM accounts for 35 percent — on which a coupon of 13 percent is offered.

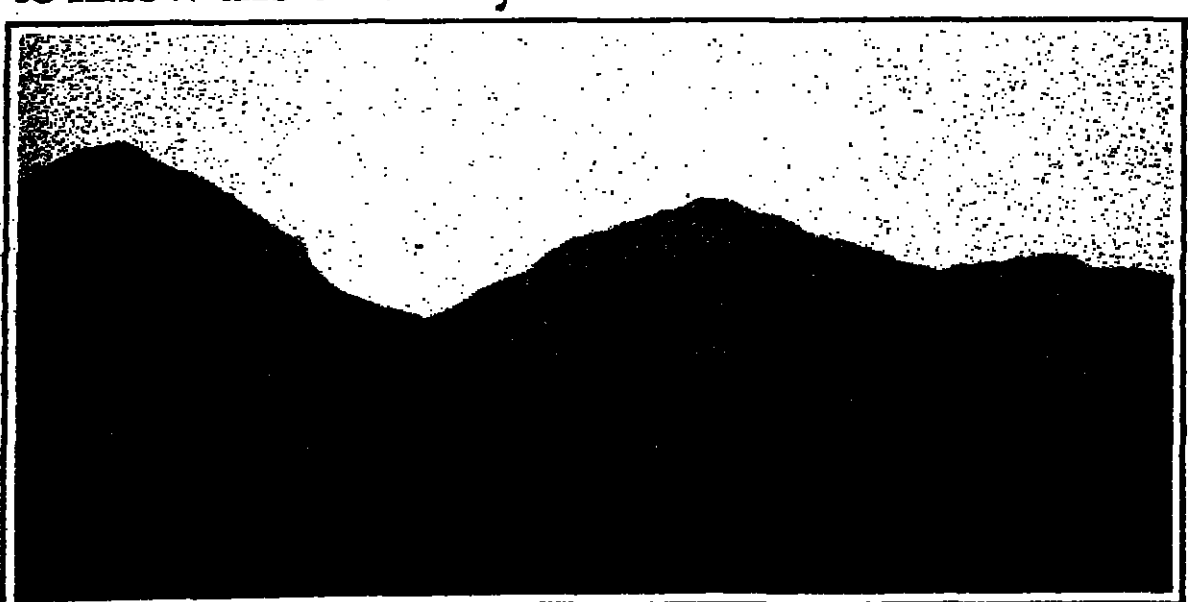
The issue is the largest yet in ECU and the first-ever floating-rate note. Half the issue is in seven-year, fixed-rate paper sold at a discount of 99 to yield 13 1/4 percent and half in seven-year floating-rate notes that can be converted during the first 18 months into the fixed-

rate paper at par. The floater bears interest at a quarter-point over the three-month ECU interbank offered rate. The fixed-rate paper was traded on a when-issued basis at 98 1/4.

The Council of Europe's just-completed 13 1/2-percent ECU issue was priced at a premium of 100 1/4, reducing the yield on the 10-year paper to 13.36 percent.

Gaz de France is also tapping the Norwegian krone market, the first non-Nordic or supranational entity to tap the fledgling sector of the Euro market. Bankers were hoping GDF's appearance means a more open entry for borrowers, but government officials were insisting that no such conclusion should be drawn.

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Over-the-Counter

NEW YORK (AP)—Weekly Over the Counter stocks giving the high, low, and last bid price.

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Over-the-Counter

930	Amc Incorp 1974	1 Jan 73		
	5 % 1982 Sep	maturity	5/21 1/4	121.09
935	Apache Indl Fin 4/34	15 Jan 81		
	9 7/8 % 1996 Jun	maturity	5/21 1/8	58.95
936	Somcor Pustia 26.17	15 Jan 89		
	5 1/4 % 1988 Jul	maturity	3/8 1/2	53.09
938	Bankers Intern 34.13	1 Dec 87		
	5 % 1994 Jun	maturity	2/29 7/2	53.15
939	Bechtel Corp 67.34	1 Jul 71		
	7 1/4 % 1970 Nov	maturity	3/17 1/2	467.73
935	Bechtel Corp 43.71	1 Mar 72		

[illegible][illegible]

174	1/12/92	15 Apr 86	120	11222	93
175	1/12/92	15 Apr 86	120	536	586
176	1/12/92	15 Apr 86	120	4168	586
177	1/12/92	15 Apr 86	120	2416	258
178	1/12/92	15 Apr 86	120	7303	41
179	1/12/92	15 Apr 86	120	6362	428
180	1/12/92	15 Apr 86	120	3648	43
181	1/12/92	15 Apr 86	120	29046	120
182	1/12/92	15 Apr 86	120	5013	29
183	1/12/92	15 Apr 86	120	336	48
184	1/12/92	15 Apr 86	120	46700	586
185	1/12/92	15 Apr 86	120	69	53
186	1/12/92	15 Apr 86	120	8538	586
187	1/12/92	15 Apr 86	120	4185	586
188	1/12/92	15 Apr 86	120	3388	586
189	1/12/92	15 Apr 86	120	659	29
190	1/12/92	15 Apr 86	120	126	46
191	1/12/92	15 Apr 86	120	34538	586
192	1/12/92	15 Apr 86	120	51821	586
193	1/12/92	15 Apr 86	120	5934	586
194	1/12/92	15 Apr 86	120	5873	586
195	1/12/92	15 Apr 86	120	620	29
196	1/12/92	15 Apr 86	120	849	130
197	1/12/92	15 Apr 86	120	5188	573
198	1/12/92	15 Apr 86	120	539	242
199	1/12/92	15 Apr 86	120	3628	428
200	1/12/92	15 Apr 86	120	420	428

538	6-1979	Aug	199	University	\$321/10	
539	6-1979	Aug	199	University	\$321/10	
540	6-24	Aug	160	University	\$42	
541	6-1979	Aug	160	University	\$42	
542	6-1979	Aug	160	University	\$42	
543	6-1979	Aug	160	University	\$42	
544	6-1979	Aug	160	University	\$42	
545	6-1979	Aug	160	University	\$42	
546	6-1979	Aug	160	University	\$42	
547	6-1979	Aug	160	University	\$42	
548	6-1979	Aug	160	University	\$42	
549	6-1979	Aug	160	University	\$42	
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563	6-1979	Aug	160	University	\$42	
564	6-1979	Aug	160	University	\$42	
565	6-1979	Aug	160	University	\$42	
566	6-1979	Aug	160	University	\$42	
567	6-1979	Aug	160	University	\$42	
568	6-1979	Aug	160	University	\$42	
569	6-1979	Aug	160	University	\$42	
570	6-1979	Aug	160	University	\$42	
571	6-1979	Aug	160	University	\$42	
572	6-1979	Aug	160	University	\$42	
573	6-1979	Aug	160	University	\$42	
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578	6-1979	Aug	160	University	\$42	
579	6-1979	Aug	160	University	\$42	
580	6-1979	Aug	160	University	\$42	
581	6-1979	Aug	160	University	\$42	
582	6-1979	Aug	160	University	\$42	
583	6-1979	Aug	160	University	\$42	
584	6-1979	Aug	160	University	\$42	
585	6-1979	Aug	160	University	\$42	
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598	6-1979	Aug	160	University	\$42	
599	6-1979	Aug	160	University	\$42	
600	6-1979	Aug	160	University	\$42	

57	Northwest Glen 50.26	1	1 Jun 69		
58	Northwest Glen 50.26	1	1 Jun 69	15.847	4.35
59	Northwest Glen 50.26	1	1 Dec 69		
60	Northwest Glen 50.26	95	34 Jun 70	22.89	6.04
61	Northwest Glen 50.26	95	14 Jul 67		
62	Northwest Glen 50.26	95	14 Jun 69	54.14	54.24
63	Ogil Int 11.41	80	15 Nov 69		
64	Ogil Int 11.41	80	15 Nov 69	52.12	7.60
65	Ogil Int 11.41	80	15 Nov 69		
66	Ogil Int 11.41	80	15 Nov 69	52.12	6.26
67	Ogil Int 11.41	80	15 Nov 69		
68	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
69	Ogil Int 11.41	80	15 Nov 69		
70	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
71	Ogil Int 11.41	80	15 Nov 69		
72	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
73	Ogil Int 11.41	80	15 Nov 69		
74	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
75	Ogil Int 11.41	80	15 Nov 69		
76	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
77	Ogil Int 11.41	80	15 Nov 69		
78	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
79	Ogil Int 11.41	80	15 Nov 69		
80	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
81	Ogil Int 11.41	80	15 Nov 69		
82	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
83	Ogil Int 11.41	80	15 Nov 69		
84	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
85	Ogil Int 11.41	80	15 Nov 69		
86	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
87	Ogil Int 11.41	80	15 Nov 69		
88	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
89	Ogil Int 11.41	80	15 Nov 69		
90	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
91	Ogil Int 11.41	80	15 Nov 69		
92	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
93	Ogil Int 11.41	80	15 Nov 69		
94	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
95	Ogil Int 11.41	80	15 Nov 69		
96	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
97	Ogil Int 11.41	80	15 Nov 69		
98	Ogil Int 11.41	80	15 Nov 69	52.12	5.16
99	Ogil Int 11.41	80	15 Nov 69		
100	Ogil Int 11.41	80	15 Nov 69	52.12	5.16

[illegible]

NEW YORK (AP)—Weekly Over the Counter stocks giving the high, low, and last bid price.

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NEW YORK (AP)—Weekly Over the Counter stocks giving the high, low, and last bid price.

NEW YORK (AP)—Weekly Over the Counter stocks giving the high, low, and last bid price.

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Sales In	Net
100s High Low Last Cr's	700s High Low
100s	700s
High	High
Low	Low
Last	
Cr's	

Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
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700	700	700	700	0
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1000	1000	1000	1000	0

Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
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900	900	900	900	0
1000	1000	1000	1000	0

Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
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Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
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Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
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1000	1000	1000	1000	0

Scales in 100s	High-Low		Last	Net Chge
	High	Low		
100	100	100	100	0
200	200	200	200	0
300	300	300	300	0
400	400	400	400	0
500	500	500	500	0
600	600	600	600	0
700	700	700	700	0
800	800	800	800	0
900	900	900	900	0
1000	1000	1000	1000	0

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
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Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

	EconLab 1.04	239	249	279	289 + 2
	EdScout 1.30	4	92	74	72
Net	EduCmp	2	54	5	5 - 1

SPORTS

Evert Beats Mandlikova, 6-3, 6-1, for Open Crown

By Roy S. Johnson

New York Times Service

NEW YORK — Throughout the two weeks of the U.S. Open tennis championships, Chris Evert Lloyd had spoken of motivation, of how tough it was to maintain it year after year. Instead, she said, she had set certain goals. And Saturday, after she had achieved another of those aims by defeating Hana Mandlikova in a one-sided women's final, she said, "I may have my place in history now."

Evert beat Mandlikova, 6-3, 6-1. It was her sixth national title in 13 appearances and her first major title since winning the 1981 Wimbledon crown.

Victory No. 66

The victory gave Evert a record 66th career victory in singles play at the open. She surpassed Molla B. Mallory, who won 65 matches and a record eight titles over a stretch of 15 years (1915-1929). Evert's ledger now reads 66-6 over 12 years.

Only Mollie and Helen Wills Moody, who has seven U.S. titles, have won more national championships than she.

Some would say Evert's victory was tainted by the absence of Martina Navratilova, the dominating woman in tennis this year, and defending champion Tracy Austin; both were eliminated in earlier rounds.

But this was a crown Evert seemed as determined as ever to capture.

"Ever since Tracy and Martina went out, people have been saying that I should win easily," Evert said after the final.

"But I think if determination

were any factor, I still would have won the tournament."

Indeed, her concentration during Saturday's 64-minute match was so strong that she had problems recalling details. "I was in a trance out there, I wanted to win so badly," she said.

Her determination was evident after she won the first set. She held her serve in the first game of the second, then won five of the next six games.

"I was hitting the ball better in the second set," Evert said. "She's tough to play because she's so unpredictable. With Andrea Jaeger and Tracy I could get into a groove with my strokes."

"But even after the fifth game today, I didn't feel like I had warmed up," Jaeger, whom Evert easily defeated in the semifinals, is like Austin, a steady baseline player.

Serving in the second set's seventh game, Evert gained match point when Mandlikova netted a backhand after a long rally. Evert then missed a volley to bring the game to a close.

After slicing a volley cross-court for a winner, she watched her opponent's backhand service return sail well past the baseline.

For the 20-year-old Mandlikova, who battled back from back injuries that kept her out of tournament play during the first two months of 1982, the loss was not a bitter one.

"I am happy," she said. "This year was not a good one for me. I know I can do better."

Evert, 27, addressed herself to questions about her eventual retirement. "I know my time is limited on the pro circuit," she said. "It

gets tougher, mentally. Every year chips away a little bit more of me. I think about history more and more because I know time is running out."

Each player had used her respective strengths to keep the other off balance in the first set.

Mandlikova, relying on strong serves and a diversity of speeds on her strokes, held her service in the first, third and fifth games — in which Evert won a total of two points.

But Evert was just as dominating, trying Mandlikova's patience and forcing her into frustrating mistakes. Mandlikova didn't win a point in Evert's first service game. But she had a break point in the set's fourth game before hitting a forehand into the net. Evert then

slashed a devastating cross-court for the advantage and won the game when Mandlikova netted a backhand service return.

In the seventh game, with the set tied at 3-3 and Mandlikova serving, Evert won the first three points, the last when Mandlikova sent a half-volley into the net.

And when her opponent attacked the net two points later,

Evert passed her with a forehand for the break. After holding serve for a 5-3 lead, Evert briefly shifted styles by attacking the net to make it break point, 30-40.

Mandlikova missed a forehand volley on the next point to lose the set.

It was the 14th meeting between the two, Evert having won 11 times previously.

Lendl Jolts McEnroe, Meets Connors in Final

By Neil Amund

New York Times Service

NEW YORK — Ivan Lendl ended John McEnroe's three-year dominance in the U.S. Open Saturday and joined Jimmy Connors in Sunday's men's final.

The Czechoslovak's 6-4, 6-4, 7-6 victory extended his string of grand prize triumphs over McEnroe to six in the past 18 months. During that time, McEnroe has won only one of their 17 sets.

Connors registered a 6-1, 3-6, 6-2, 6-3 semifinal decision over Guillermo Vilas. Courtesy hand signals from his coach, Ion Tiriac, could not help the Argentinean crack Connors.

Connors, seeded second, holds an 8-1 career edge over third-seeded Lendl, but many of his victories came before Lendl became an established force on the circuit. In their most recent meeting, last month on a hard surface in the semifinals of the Association of Tennis Professionals championship, Lendl was hot and Connors was not, and the result was a 6-1, 6-1 rout.

In reaching his second grand slam final (he lost to Björn Borg in the 1981 French Open), Lendl powered through a demanding draw. Before McEnroe, he defeated Ramesh Krishnan, Tim Mayotte in five sets, Harold Solomon, Mats Wilander (6-2, 6-2, 6-2) and Kim Warwick.

McEnroe was frustrated throughout Saturday's 2-hour-39-minute match. Just as McEnroe emerged with a serve-and-volley game to dominate Borg — after Borg's top-spin style had controlled Connors — Lendl has developed the strokes and power that McEnroe said "gets me disorganized."

"He forces me to do things differently," McEnroe said of Lendl's improving serves and returns, which have disrupted the tempo of their recent matches. "That's the mark of a great player."

McEnroe did not help himself by moping between points, repeatedly questioning the calls and bawling his racket on the ground. He did not serve well, managing only 49 percent of first serves. Forced to attack off his second serve, he ran into paced, angled re-

turns that nullified any force or depth in his first volley.

There were only two service breaks in the match. Evert volleyed away the fifth game of the first set, and Lendl opened the second set with a break.

Lendl faced 0-30 while serving at 5-4 in the second set and break points in the second and fourth games of the third set — but never lost serve.

Assessments

"He's improved his serve," McEnroe said. "It's harder for me to attack it than it was before."

His inability to handle the serve involved more than power or stroke production. Unlike Connors, who uses his returns as an offensive weapon, McEnroe prefers to block, push or guide his returns and play his way into the point.

But many of the returns landed short, around the center-service line, allowing Lendl to move in for deep forehand cross-court approaches that left McEnroe little or no room to pass.

"The difference between now and when I would lose badly to him is the return of serve from both ways," said Lendl, who raised his record for the year to 86 victories in 93 matches. This is his 19th tournament; he has won 11 and finished as runner-up in five.

Throughout Saturday's match, Connors was aware that many tactics of the fourth-seeded Vilas appeared to follow directives from Tiriac, a former Romanian Davis Cup player known for his strategic skills.

Hand signals are not illegal. "You can coach with your hands, but not verbally," said Mike Blanchard, the referee.

Tiriac's signals varied from a flick of an index finger to rubbing a knee. But because Vilas sometimes stood so close to him, Tiriac could be seen mouthing instructions. Watching Tiriac watch Vilas was a sideshow, and Connors left no doubt about his displeasure.

"That's a bunch of bull," he said afterward. "As long as he's only giving signals, you can't do anything. If he starts talking, that's something else. But he's a big enough boy now. He should be able to do it by himself."

The Connors-Vilas match was encompassing in several ways. Vilas had won their only two meetings earlier this year, both indoors, and had been among the few players with a career edge (5-4) on Connors.

Things didn't really take shape until the second set, after Connors had broken serve at 30 in the fourth and sixth games of the opener. Vilas found a working formula by mixing looping top-spin forehands across court and sliced backhands down the line; as a result, Connors could never get a groove on his forehand.

Because Vilas applied so much top spin on his forehand, the ball bounced higher on the DecoTurf surface. Thus, Connors was hitting his forehand with the racket head unusually high, driving down on the ball. Vilas's backhand slice produced the opposite effect, the ball spinning low and forcing Connors to underspin shots.

Serving at 1-2, 40-15 in the second set, Connors suddenly struck a bad patch. Forehands went wide or into the net. Vilas drove a backhand winner down the line at deuce and broke for the first time on another netted forehand.

It was the only break of the set, but statistics told the story: After committing only seven unforced forehand errors in the opening set, Connors made 13 in the second.

"The ball was jumping at me hard and high," he said later. "It took me a while to figure out how to handle it."

The third set became a drama within a drama — Connors trying to solve the forehand riddle, Vilas glancing at Tiriac and Vilas sending hand signals.

Serving at 1-1, Connors saved one break point at 30-40 when Vilas drove a top-spin forehand long. Connors saved another break point and won the game. After Vilas had held, Connors held again for 3-2. On the changeover, Tiriac gestured to Vilas with his right hand, as if to suggest more looping top spin.

Vilas, not Connors, lost control. Instead of going for a winning shot on the second or third hit in several rallies, Connors patiently waited for angle and position, waited for the short ball and then attacked or gummed for the placement.

Evert passed her with a forehand for the break. After holding serve for a 5-3 lead, Evert briefly shifted styles by attacking the net to make it break point, 30-40.

Mandlikova missed a forehand volley on the next point to lose the set.

It was the 14th meeting between the two, Evert having won 11 times previously.

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Chris Evert Lloyd

"I think about history more and more because I know time is running out."

Bengals Down Oilers, 27-6, in Season Opener

Compiled by Our Staff From Dispatches

CINCINNATI — Quarterback Ken Anderson, last season's American Conference player of the year, passed for 354 yards, threw two scoring passes and ran for another touchdown Sunday to lead conference champion Cincinnati to a 27-6 romp over the Houston Oilers in the National Football League season opener for both clubs.

NFL ROUNDOUP

Anderson completed 29 of 40 passes, completed TD strikes of 18 yards to Dan Ross and 7 yards to Charles Alexander. The 12-year

veteran also ran 2 yards for a touchdown. The Bengals added field goals of 43 and 25 yards from Jim Breech.

Houston only barely averted a shutout, as Gifford Nielsen threw a 38-yard TD pass to Mike Holston in the final period with the Oilers trailing 27-0.

Cardinals 21, Saints 7

In New Orleans, quarterback Neil Lomax set up a first-quarter touchdown and threw a 12-yard third-period scoring pass to wide receiver Pat Tilley to lead St. Louis to a 21-7 victory over New Orleans. Ken Stabler started at quar-

terback for the Saints — the first time in 12 years that New Orleans' Archie Manning has been benched.

Lomax finished with 10 completions in 17 attempts for 92 yards. It was a 16-yard pass to tight end Doug Marsh that set up a 1-yard scoring plunge by fullback Wayne Morris in the first quarter. Cardinal halfback Otis Anderson scored on a 5-yard sprint in the third quarter.

Stabler, acquired by New Orleans a little over two weeks ago, finished with 19 completions on 26 attempts for 207 yards, including a 22-yard touchdown pass to rookie wide receiver Kenny Duckett.

Vikings 17, Buccaneers 10

In Minneapolis, quarterback Tommy Kramer passed for 131 yards and one touchdown and Rick Danneker kicked a late field goal to give the Vikings a 17-10 victory over Tampa Bay. The Vikings nullified the effort of Buccaneers Doug Williams, who completed 21 of 37 passes for 290 yards. Kramer was 16 of 28 for 131 yards.

The Vikings were forced to give up the ball with 3:13 left, but Tampa Bay's John Hobbie bobbled the punt and Minnesota's Jim Hough recovered on the Tampa Bay 11, setting up Danneker's 33-yard field goal.

Falcons 16, Giants 14

In East Rutherford, New Jersey, Mick Luckhurst kicked a 29-yard field goal with 58 seconds remaining to lift Atlanta to a 16-14 triumph over the New York Giants.

The Falcons closed in on the Giants when safety Bob Glazebrook picked up a final-quarter fumble by Leon Perry on the Atlanta 3-yard line and ran it back 91 yards for a touchdown, a club record for a fumble recovery.

Bills 14, Chiefs 9

In Orchard Park, New York, quarterback Joe Ferguson threw three first-half touchdowns to Frank Lewis and Jerry Butler to lead the Buffalo Bills to a 14-9 victory over Kansas City.

The Bills took a 7-3 lead on Lewis' 20-yard reception 11 minutes into the game. The Chiefs scored the first two times they had the ball on long field goals by Nick Lowery. Lowery also hit a 42-yard midway through the fourth quarter.

Packers 35, Rams 23

In Milwaukee, Lynn Dickey threw two fourth-quarter touchdowns to pass 17 seconds apart to cap a rally as the Green Bay Packers defeated the Los Angeles Rams, 35-23.

Dickey hit tight end Paul Coffman with a 10-yarder with 11:12 to play, moments after linebacker Guy Traylor recovered a Robert Alexander fumble on a kick return.

The score, giving the Packers a 28-23 lead, came on the heels of a 15-yard scoring pass from Dickey to James Lofton as the Packers drew to within 23-21 of the Rams, who led 23-0 at halftime. Eddie Lee Ivey, who rushed for 109 yards on 17 carries, capped the scoring with a 27-yard burst up the middle with 3:06 remaining.

SPORTS BRIEFS

East German Women Set Relay Mark

Compiled by Our Staff From Dispatches

ATHENS — The East German 1,600-meter women's relay team set a world record of 3 minutes, 19.08 seconds at the European track and field championships here Saturday. Kirsten Siemon, Sabine Busch, Dagmar Ruebean and Marita Koch clipped 1.5 of a second off the old mark, set by another East German team at the 1976 Olympic Games.

Gerard Nijboer of the Netherlands won the men's marathon Sunday, the competition's final day, with a time of 2 hours, 15 minutes and 15.9 seconds; Armand Pannemier of Belgium took the silver and Karl Ligmont of Belgium the bronze. Rosa Mota of Portugal won the women's marathon in 2:36:03.94, followed by Laura Fogli of Italy (2:36:28.14) and Ingrid Kristiansen of Norway (2:36:38.49).

Other winners Saturday: Thomas Wessinghage of West Germany, 5,000 meters, 13:28.90; Steve Cram of Britain, 1,500 meters, 3:36.49; Dietmar Mögenburg, West Germany, high jump, 7 feet 6 inches (about 2.26 meters) and Thomas Munkelt, East Germany 110-meter high hurdles, 13.41.

New Zealand Wins Rugby Series

AUCKLAND, New Zealand — Fullback Alan Hewson set a record for points in a test match between major rugby union countries with a try, a drop, five penalties and two conversions against Australia Saturday. New Zealand won the match, 33-18, in the three-match series.

Other All Black points came on a try by Mark Shaw and a drop by Wayne Smith. For the Wallabies — who lost the first test Aug. 14 in Christchurch, 23-16, and won Aug. 28 in Wellington, 19-16 — Roger Gould scored a try and kicked three penalties and a conversion and Michael Hawker scored with a drop.

Hewson's 26 points broke the record of 24, set by New Zealand's Fergie McCormick against Wales in 1969.

McCullough Leads U.S. Golf by 1

SUTTON, Massachusetts — Mike McCullough shot a five-under-par 66 Saturday to take a one-shot lead over George Archer and Peter Jacobson after three rounds of a Professional Golfers' Association tournament here. McCullough has a three-round total of 202, 11 under par. Archer and Bob Gilder, with 134s, had led McCullough by two strokes after Friday's second round.

Archer bogeyed Saturday's final two holes for his 69/203; Jacobson matched McCullough's third-round 66. Brad Bryant, with a 64, was tied at 204 with Gilder.

NBA Bucks Get Cows from Celtics

MILWAUKEE — Former Boston Celtic star Dave Cowens was traded to the Milwaukee Bucks Friday for Quinn Buckner. Cowens, 33, retired just before the start of the 1980-81 National Basketball Association season. Cowens reportedly signed a two-year contract with the Bucks.

Milwaukee has won the Central Division title for the last two years, only to falter in the playoffs against bigger teams. Coach Don Nelson said Cowens, at 6-foot-9 and 230 pounds, will give the club the power forward it needs. Cowens, a seven-time all-star, played 10 years for the Celtics and averaged 18.2 points and 14 rebounds per game.

Buckner, 28, had started every game he played under Nelson for six years and is considered one of the top point guards in the league. Celtic point guard Nate Archibald will be 35 before the season ends.

Pitcher Hits Grand-Slam, Expos Beat Cubs, 10-6

Compiled by Our Staff From Dispatches

CHICAGO — Pitcher Scott Sanderson's first major league home run — a grand slam — helped the Montreal Expos defeat the Chicago Cubs, 10-6, here Saturday.

Sanderson's homer capped a six-run third inning; Al Oliver also hit a home run in the inning and added a two-run double in a three-run eighth. Sanderson (10-11) struck out 10 batters, equalling his five-year career high, during 6½ innings' work. Woodie Fryman went the rest of the way for his 11th save.

Oliver led off the Expos' big inning with his 21st homer of the year. Gary Carter singled off Randy Martinez (2-3), went to second on a double play and scored on a pitch and scored on Chris Speiser's single. Doug Flynn's single loaded the bases before Sanderson hit a 1-1 pitch into the right-field bleachers.

Reds 4, Braves 3

In Atlanta, Mario Soto scattered nine hits and Dave Concepcion hit a three-run home run to help Cincinnati break a seven-game losing streak with a 4-3 victory over the Braves.

Dodgers 5, Astros 3

In Houston, Dusty Baker hit a two-run homer and pitcher Jerry Reuss contributed a run-scoring double in helping Los Angeles defeat the Astros, 5-3.

Giants 8, Padres 3

In San Diego, Tom O'Malley and Johnnie L. McEwen each drove in two runs and Al Holland pitched four innings of hitless relief as San Francisco defeated the Padres, 8-3.

Orioles 8, Indians 1

In Cleveland, Eddie Murray drove in three runs with a two-run double and a single to pass Baltimore's 8-1 laughter over the Indians.

White Sox 2, A's 0

In Oakland, California, Carlton Fisk hit a two-run home run to help Jerry Koosman and Salome Barajas combine on a six-hit, 2-0 Chicago blanked the A's, 2-0.

Red Sox 13, Tigers 3

In Boston, Gary Allenson batted in five runs and the Red Sox took

advantage of seven errors and 11 walks to drub Detroit, 13-3.

Angels 4, Blue Jays 1

In Anaheim, California, Rob Wilfong drove in two runs with a first-inning single and California went on to beat Toronto, 4-1, behind Ken Forsch's four-hit shutout.

Royals 9, Twins 3

In Kansas City, Missouri, Frank White drove in two runs and Hal McRae homered, becoming the Royals' all-time single-season RBI leader in a 9-3 victory over Minnesota. McRae's 24th home run of

the season, leading off the second, gave him 119 RBIs, eclipsing the 118 by George Brett in 1980.

Yankees 14, Brewers 2

In New York, Dave Winfield had a three-run homer and an RBI single and Dave Righetti pitched a five-hitter as the Yankees trounced Milwaukee, 14-2.

Rangers 5, Mariners 2

In Arlington, Texas, George Wright, Pete O'Brien and Larry Parrish hit bases-empty sixth-inning home runs to carry Texas to a 5-2 victory over Seattle.

Friday and Saturday Baseball Line Scores

Friday's Results

AMERICAN LEAGUE

Detroit 10, Yankees 12 10
Boston 10, Orioles 7 9
Toronto 10, Blue Jays 7 9
New York Yankees 10, Toronto 7 9
Boston 10, Orioles 7 9
Detroit 10, Yankees 12 10
Boston 10, Orioles 7 9
Toronto 10, Blue Jays 7 9
New York Yankees 10, Toronto 7 9

NATIONAL LEAGUE

Los Angeles 10, Padres 3 10
San Francisco 8, Giants 3 10
Pittsburgh 10, Pirates 7 10
Cincinnati 10, Reds 7 10
St. Louis 10, Cardinals 7 10
Los Angeles 10, Padres 3 10
San Francisco 8, Giants 3 10
Pittsburgh 10, Pirates 7 10
Cincinnati 10, Reds 7 10
St. Louis 10, Cardinals 7 10

Saturday's Results

AMERICAN LEAGUE

Baltimore 10, Orioles 7 10
Detroit 10, Yankees 12 10
Boston 10, Blue Jays 7 9
Toronto 10, Blue Jays 7 9
New York Yankees 10, Toronto 7 9
Boston 10, Orioles 7 9
Detroit 10, Yankees 12 10
Boston 10, Orioles 7 9
Toronto 10, Blue Jays 7 9
New York Yankees 10, Toronto 7 9

NATIONAL LEAGUE

Los Angeles 10, Padres 3 10
San Francisco 8, Giants 3 10
Pittsburgh 10, Pirates 7 10
Cincinnati 10

'Bloopies' of the Year

Iceland's First-Name President

President Finnbogadóttir: "Absolutely unpolitical."

LETTER FROM MOSCOW

All the Lonely People

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